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Irinja Valtanen

Service Transition Strategies in Service-Dominant Settings:
Towards Comprehensive Financial Services in SME markets

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ABSTRACT

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Keywords: Service transition, service-dominant settings, solutions, comprehensive financial services, cross-selling, cross-buying

In recent years, firms across markets and industries have sought to grow beyond their traditional core business by developing ancillary service offerings and value-added solutions. However, in practice, knowledge on the transition from stand-alone products/services towards more advanced solution offerings that meet customer needs is vague, especially in service sectors. The objective of this research is to create new knowledge on the application of service transition strategies within service-dominant settings with respect to the customer-provider relationship. The focus is on the financial services industry.

The research objective is divided into two research questions taking different perspectives of the phenomenon: the providers' move from basic services to more advanced ones, and their business customers' response to these more advanced offerings as opposed to stand-alone services. The research questions are studied through four scientific publications that rely on an integrated theoretical approach and a qualitative research orientation. In terms of empirical material, interview studies and case studies are used as the primary research methods.

The results suggest that the transition strategy dimensions of service extension and relationship focus are increasingly utilised among financial service providers. Simultaneously, the evidence shows that the integration of various components within the comprehensive offering still seems to be in its early stages. This finding indicates that service providers rely mainly on a pure component strategy in the provision of comprehensive financial services. As business customers fail to perceive the benefits of purchasing pure component-based comprehensive offerings (the main limiting factors are the absence of customer loyalty programs, unfavourable pricing and image conflicts), they seem to follow price-based purchase behaviour and negotiate their service offering with many different service providers.

The main contribution of this research lies in showing that even as service providers are advancing in many frontiers of service transition, they are not succeeding in integrating services into effective solutions that meet business customer needs. This suggests that service providers are yet to achieve the ultimate service/solutions position. Service providers appear to consider comprehensive offerings mainly as an attempt to cross-sell new services to business customers, rather than a new means to solve customer problems or make life better or easier for customers – factors identified as the main outcomes of "true" solution offerings. Therefore, an important contribution of this research is the identification of factors affecting the customer-perceived value of purchasing comprehensive financial services in SME markets.

TIIVISTELMÄ

Viime vuosien aikana yritykset yli markkinoiden ja toimialojen ovat etsineet kasvua perinteisen ydintoimintansa ulkopuolelta kehittämällä toimialaansa liittyviä palvelutarjoomia sekä asiakasarvoa lisääviä kokonaisratkaisuja. Käytännössä tietämys siitä, miten yksittäisten tuotteiden ja/tai palveluiden tarjonnasta siirrytään kohti liiketoimintaa joka perustuu asiakastarpeet täyttävien, edistyneempien kokonaisratkaisuiden tarjontaan on puutteellista etenkin palvelukeskeisillä toimialoilla. Tämän tutkimuksen tavoitteena on luoda uutta tietoa niin kutsuttujen palvelusiirtymästrategioiden käytöstä palvelukeskeisessä ympäristössä keskittyen asiakkaan ja toimittajan väliseen suhteeseen. Tutkimus keskittyy finanssitoimialaan.

Tutkimustavoite on jaettu kahteen tutkimuskysymykseen, jotka tarkastelevat tutkimusongelmaa eri näkökulmista: palveluntarjoajan siirtymää erillisistä peruspalveluista kohti edistyneempiä kokonaistarjoomia, sekä yritysasiakkaiden suhtautumista kyseisiin kokonaistarjoomiin verrattuna erillisiin palveluihin. Tutkimuskysymyksiin vastataan neljän tieteellisen artikkelin avulla hyödyntäen integroitua teoreettista lähestymistapaa sekä laadullista tutkimusotetta. Työn empiirinen aineisto koostuu haastattelututkimuksista sekä tapaustutkimuksista.

Tulosten mukaan palveluntarjoajat hyödyntävät toiminnassaan kahta erillistä palvelusiirtymästrategian osa-aluetta: kokonaistarjooman laajentamista sekä asiakassuhdekeskeistä lähestymistapaa. Tutkimus osoittaa, että kokonaistarjoomaan sisältyvien erillisten palveluiden integrointiin perustuvaa siirtymästrategian osa-aluetta ei kuitenkaan hyödynnetä vielä laajamittaisesti palvelutoimialalla, mikä viittaa palveluntarjoajien perustavan palvelusiirtymänsä pääasiallisesti puhtaaseen komponenttistrategiaan. Tässä tapauksessa kokonaistarjooma koostuu erillisistä palvelukomponenteista, joita ei ole integroitu keskenään. Yritysasiakkaat eivät kuitenkaan koe, että puhtaaseen komponenttistrategiaan perustuvien kokonaistarjoomien ostaminen luo heille riittävästi lisäarvoa (rajoittaviksi tekijöiksi tunnistettiin asiakasetuohjelmien puute, epäedullinen hinnoittelu sekä imagoristiriidat). Tästä johtuen pienet ja keskisuuret yritysasiakkaat näyttävät nojaavan hintaperusteisiin ostopäätöksiin hyödyntäen useita eri palveluntarjoajia finanssipalvelutarpeidensa täyttämiseen.

Tutkimuksen keskeisenä kontribuutiona on osoittaa, että vaikka palveluntarjoajat etenevät monella palvelusiirtymästrategian sektorilla, finanssipalveluyritykset eivät vielä ole onnistuneet integroimaan palveluita tehokkaiksi kokonaisratkaisuiksi jotka täyttävät yritysasiakkaiden tarpeet. Tämän perusteella voidaan olettaa, että palveluntarjoajat eivät ole vielä saavuttaneet tilaa, jossa ne tarjoaisivat niin kutsuttuja ”todellisia” kokonaisratkaisuja. Palveluntarjoavat näyttävät hyödyntävän edistyneempiä kokonaistarjoomia lähinnä keinona ristiinmyydä uusia palveluja yritysasiakkaille sen sijaan, että kokonaistarjoomilla pyrittäisin löytämään uudenlaisia tapoja ratkaista asiakkaan ongelmia tai tehdä asiakkaan liiketoiminnasta parempaa tai helpompaa – tavoitteita jotka kirjallisuus liittää niin kutsuttuihin todellisiin kokonaisratkaisuihin. Empiiriset osoitukset yritysasiakkaiden koettuun asiakasarvoon vaikuttavien tekijöiden tunnistamisesta liittyen kokonaisvaltaisten finanssipalveluiden ostamiseen ovat näin ollen tutkimuksen merkittäviä kontribuutioita.

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Tampere, 31st July 2013

Irinja Valtanen (born Mäenpää)

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LIST OF ABBREVIATIONS

b-to-b	Business-to-business
CEPS	Centre for European Policy Studies
CPI	Credit protection insurance
G-D	Goods-dominant
S-D	Service-dominant
SME	Small and medium-sized enterprise
SSC	Services supporting the customer’s actions
SSP	Services supporting the product

PART 1: INTRODUCTORY ESSAY

1 INTRODUCTION

This dissertation consists of two parts. The first part presents an overview of the dissertation, which combines the essential parts of the studies published (or under review) in four peer-reviewed journal articles. The second part consists of the original articles.

1.1 Background and motivation

In recent years, firms across markets and industries have sought to grow beyond their traditional core business by developing ancillary service offerings and value-added solutions (Baines *et al.*, 2009; Nordin and Kowalkowski, 2010; Evanschitzky *et al.*, 2011). The decisive rationale behind this transition towards solution offerings has been to turn away from the problems experienced in matured businesses, i.e. to improve firm competitiveness and performance (Wise and Baumgartner, 1999; Sawhney, 2006), to fight commoditisation (Matthyssens and Vandenbempt, 2008; Brax and Jonsson, 2009) and to respond to changing customer needs (Miller *et al.*, 2002; Windahl and Lakemond, 2006). This empirical reality has contributed to a growing academic interest in "servitisation" (Vandermerwe and Rada, 1988; Baines *et al.*, 2009) or "service transition strategies" (Fang *et al.*, 2008, p. 2), terms used to describe literature explaining the shift from traditional products towards more advanced solution and/or service offerings by providers.

With its origins in industrial settings, the main body of literature on service transition is marked by a strongly product-centric paradigm (Nordin and Kowalkowski, 2010). Even as the trend of service transition has been claimed to pervade almost all industries (Vandermerwe and Rada, 1988; Wise and Baumgartner, 1999; Court *et al.*, 2006), existing empirical research considers the phenomenon mainly within industrial manufacturing (e.g. Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2008, 2010; Salonen, 2011). However, in practice, the problems experienced by matured businesses, identified in the literature as antecedents of solutions, are applicable not solely within the industrial sector, but also in many fundamental service industries such as financial services (Benoist, 2002; Van den Berghe and Verweire, 2001; Lau *et al.*, 2004). As the extant literature is yet to sufficiently highlight service transition in the context of service sectors, little is known of the means that pure service providers are taking to respond to these challenges. Therefore, this dissertation studies service transition strategies in service-dominant settings. To outline service transition among service-based providers, the financial industry is used as an example where the phenomenon is investigated within its real-life context.

As deregulation has removed the cross-sectoral boundaries between financial institutions, financial service providers have been faced with increasing competitive pressure (Ryan, 2001; Hislop *et al.*, 2002), narrowing profit margins (Benoist, 2002; Voutilainen, 2005) and commoditisation of basic services (Ramamurthy and Robinson, 2002; Lau *et al.*, 2004). At the same time, changes in customer behaviour such as increasing knowledge on financial services and demand for more value-added services (Benoist, 2002; Ryan, 2001; Voutilainen, 2005) have forced service providers to move from a traditional product-centric approach towards a more holistic, customer-oriented (Hislop *et al.*, 2002; Kamakura *et al.*, 2003) and solutions-based (Van den Berghe and Verweire, 2001; Lau *et al.*, 2004) approach. Terms such as "bancassurance" and "allfinanz", which refer to the sales of insurance products by banks (Bergendahl, 1995; Flur *et al*., 1997), and "assurfinance", which refers to the sales of financial products by insurance companies (Benoist, 2002; Van den Berghe and Verweire, 2001) show that the once traditional financial institutions are moving towards provision of comprehensive financial services, i.e. offering their customers a seamless service of banking, investment and insurance (Ryan, 2001, Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002).

As the antecedents of this transition bear a close resemblance to those connected with the transition towards solution offerings (for a review, see Nordin and Kowalkowski, 2010), the imperatives of the transition towards the provision of comprehensive financial services mimic those cited in the service transition literature (e.g. Wise and Baumgartner, 1999; Stremersch *et al.*, 2001; Miller *et al.*, 2002; Oliva and Kallenberg, 2003; Davies, 2004; Brady *et al.*, 2005; Sawhney, 2006). These include reducing customer acquisition and service costs (Harrison and Ansell, 2002; Kamakura *et al.*, 2003), increasing the share of customers' wallets (Ryan, 2001; Harrison and Ansell, 2002), improving customer loyalty and retention (Benoist, 2002; Kamakura *et al.*, 1991, 2003), protecting market share (Kamakura *et al.*, 2003; Lau *et al.*, 2004), balancing demand fluctuations and increasing profitability (Bergendahl, 1995; Kamakura *et al.*, 2003) and attaining economies of scale and scope (Bergendahl, 1995; Voutilainen, 2006). However, although the shift towards a solution-based approach of "all finance" offerings is evident in the financial marketing literature (Benoist, 2002; Van den Berghe and Verweire, 2001; Lau *et al.*, 2004), whether these comprehensive financial service offerings actually correspond to what the service transition literature describes as "true" solutions remains unclear.

Based on the extant literature, the question of how service transition is actually attained within the financial sector is of practical and academic concern. While signs of a transition towards solutions are discussed in the financial marketing literature (Butera, 2000; Benoist, 2002; Van den Berghe and Verweire, 2001; Lau *et al.*, 2004), at the moment, it is unclear how or to what extent this transition has been accomplished. To contribute to this important issue, this research dissects the transition towards comprehensive financial services.

1.2 Research problem and questions

In the wider context of industrial marketing literature, this dissertation explores service transition strategies within service dominant-settings by focusing on the financial services industry. Based on the background outlined earlier, an integrated theoretical approach is employed. The more general literature on service transition strategies is complemented with a focused perspective on financial services marketing to generate a more complete understanding of the phenomenon within the chosen context. The problem setting originating from these theoretical premises is outlined as follows.

1.2.1 Service transition strategies in service-dominant settings

Studies in both marketing and strategy literature argue that manufacturing firms should shift towards the provision of solution and/or service offerings to improve their competitive position in the era of intense global competition and increasing commoditisation that characterises many product markets (Wise and Baumgartner, 1999; Sawhney *et al.*, 2004; Vargo and Lusch, 2004). These strategic redirections are referred to in this dissertation as "service transition strategies", a term coined by Fang *et al.* (2008, p. 2) to denote a "firm's strategic redirections regarding the shift from products/services to solution and/or service offerings". Within the service transition literature, this study is positioned based on three gaps identified in the previous research.

With its foundations in industrial settings, the main body of service transition literature considers the phenomenon mostly within manufacturing (e.g. Oliva and Kallenberg, 2003; Sawhney, 2006; Davies *et al.*, 2007; Matthyssens and Vandenbempt, 2008; Salonen, 2011). Thus, the basic assumption in the literature is that goods exist in the firm's offering, and the transition towards solutions is related to creating value by adding services to goods (Vandermerwe and Rada, 1988; Oliva and Kallenberg, 2003; Sawhney, 2006; Windahl and Lakemond, 2006, 2010; Matthyssens and Vandenbempt, 2008, 2010). Some scholars such as Brax and Jonsson (2009) argue that solution offerings may not even be considered in the pure services context. However, service transition has been explicitly connected with the shift from a goods-centred to a service-centred view (Tuli *et al.*, 2007; Fang *et al.*, 2008; Jacob and Ulaga, 2008). Based on the definition of services as a unit of output in contrast to service as a process (Vargo and Lusch, 2008), it may well be argued that pure service providers may also be facing a shift in logic from the provision of goods-dominant services to the provision of service-dominant solution and/or service offerings. Therefore, service-based service transition should be a subject of research in its own right, without explicit linkages to manufactured goods. As the literature is yet to sufficiently emphasise service transition among service industries, it is not clear how the transition towards service-based solutions is attained, i.e. whether it follows the same service transition routes and dimensions as in industrial settings.

From a theoretical standpoint, the dimensions of service transition can be considered especially intriguing in service-dominant settings. In the literature, solutions are predominantly defined as bundles of products and/or services that have higher potential for value creation than the individual parts would have alone (Brady *et al.*, 2005; Davies *et al.*, 2007; Tuli *et al.*, 2007; Nordin and Kowalkowski, 2010). Despite considerable efforts, research in the field has been described as incomplete in terms of understanding how providers actually move beyond basic product-related services to more advanced ones with higher differentiation potential (Antioco *et al.*, 2008). As it is clear that there are steps between a manufactured product and a complete solution (Evanschitzky *et al.*, 2011), one of the key challenges in becoming a solution provider is the integration of services with the products (Oliva and Kallenberg, 2003; Brax and Jonsson, 2009). However, the extant literature has been described as sparse in describing how the actual product-service integration could and should be carried out (Antioco *et al.*, 2008). Given the shortage of research on service-based solutions (Nordin and Kowalkowski, 2010), the ways in which this integration is carried out in terms of service/s is yet to be sufficiently understood.

Furthermore, the service transition literature emphasises the importance of addressing/solving customer's needs/problems (Stremersch *et al.*, 2001; Windahl *et al.*, 2004; Davies *et al.*, 2007) and changing the nature of customer interactions from transactional to relational (Mathieu, 2001; Oliva and Kallenberg, 2003; Gebauer *et al.*, 2005). Correspondingly, in the service-centred view, the value of the offering is determined, and even perceived, by using the customer's perspective (Stremersch *et al.*, 2001; Vargo and Lusch, 2004; Brax and Jonsson, 2009). However, empirical studies in this field mostly tend to take the perspective of the solution provider (Matthyssens and Vandenbempt, 2008; Ulaga and Reinartz, 2011). Given that solution effectiveness depends on the factors that affect the relational processes of solution creation, and ultimately the extent to which the solution meets customer needs (Tuli *et al.*, 2007), incorporating the customer's perspective in the research can be considered essential. At the empirical level, few investigations have been made on how customers actually respond to solutions as opposed to stand-alone products, let alone whether or in which conditions customers generally prefer solution offerings over products (Evanschitzky *et al.*, 2011).

1.2.2 Comprehensive financial services in business markets

While changes in the financial industry have been depicted to entail a move from product-oriented cross-selling to customer-focused cross-buying (Hislop *et al.*, 2002; Jarrar and Neely, 2002; Kamakura *et al.*, 2003), thereby representing a holistic approach towards the provision of "all finance" solutions (Benoist, 2002; Van den Berghe and Verweire, 2001), existing research in this domain can still be considered fragmented. Within the financial services marketing literature, this dissertation is positioned along three gaps identified in the previous research.

In the existing cross-selling literature, a number of studies demonstrate the benefits of cross-selling to financial service providers (e.g. Reichheld and Sasser, 1990; Ngobo, 2004; Vyas and Math, 2006; Reinartz *et al*., 2008). Consequently, focusing mainly on retail customers, increasing research interest has been directed to investigating methodologies for the efficient identification of cross-selling prospects (Kamakura *et al.*, 1991, 2003; Harrison and Ansell, 2002; Knott *et al.*, 2002; Lymberopoulos *et al.*, 2004; Ansell *et al.*, 2007), analysing the predicted sequence of financial service acquisition (Kamakura *et al.*, 1991; Li *et al.*, 2005) and identifying specific target customer segments for cross-selling (Kamakura *et al.*, 1991; Lymberopoulos *et al.*, 2004; Li *et al.*, 2005; Ansell *et al.*, 2007; Liu and Wu, 2007). Notably fewer observations have been made on the actual cross-selling practices utilised by financial institutions. The examples identified in the literature (Bergendahl, 1995; Benoist, 2002; Hislop *et al.*, 2002; Voutilainen, 2006; Centre for European Policy Studies [CEPS], 2009) are mainly based on descriptions by consultants and practitioners without explicit links to theoretical perspectives and conceptualisation. Thus, next to no evidence on the different sales methods and offering structures employed in the cross-selling of comprehensive financial services is available in the literature. Therefore, at the moment, it is not clear how financial service providers move beyond stand-alone services towards more advanced comprehensive offerings.

In principle, success in cross-selling can only be attained if customers are willing to cross-buy, because cross-selling requires wider customer acceptance of buying different products/services from the same provider (Ngobo, 2004; Soureli *et al.*, 2008). Thus, substantial efforts have been directed to investigating cross-buying in association with the different facets of retail customer satisfaction and loyalty (e.g. Verhoef *et al.*, 2001, 2002; Ngobo, 2004; Liu and Wu, 2007; Soureli *et al.*, 2008; Liang and Chen, 2009). Aside from a few examples (Verhoef *et al.*, 2001, 2002; Ngobo, 2004), the research tends to focus primarily within a single financial sector (e.g. Verhoef and Donkers, 2005; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008; Liang and Chen, 2009), somewhat ignoring the undisputed growth of comprehensive financial services, bancassurance and allfinanz (Robson, 2011). Although some attention has been paid to the drivers of retail customers' cross-buying behaviour (Ngobo, 2004; Jeng, 2008; Soureli *et al.*, 2008), knowledge on the factors that encourage customers to buy (or discourage them from buying) comprehensive financial services, including their attitudes on the value they perceive to gain from this behaviour, is limited.

Although the trend towards comprehensive financial services is also observable in the business-to-business (b-to-b) financial markets (Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002), existing research in the industry focuses almost exclusively on retail customers. Nonetheless, the issue may be especially intriguing in the b-to-b context. Even though business customers are suggested as a prominent segment for bancassurance (Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002), banks' success in selling corporate insurance has been notably poor (Voutilainen, 2005). Empirical evidence clearly suggests that preference towards cross-buying cannot be taken for granted among business customers. Recent studies have yielded conflicting results on small and medium-sized enterprises' (SME) bank usage and loyalty behaviour (e.g. Trayler *et al.*, 2000; Lam and Burton, 2005, 2006) and have suggested that SMEs actively choose not to use one financial service provider exclusively (Lam *et al*., 2009). Because achieving 100 per cent banking loyalty and share of wallet from SME customers is perceived as difficult or potentially impossible (Lam and Burton, 2006), the question of how to make the provision of comprehensive financial services successful among business customers remains unanswered. At present, business customers' cross-buying behaviour in relation to comprehensive financial services has not been subject to research.

1.2.3 Research questions

As described in the preceding section, the extant service transition literature is yet to sufficiently highlight service transition strategies in the context of service industries. Correspondingly, in the financial marketing literature, the undisputed growth in the provision of comprehensive financial services has not been fully established in empirical research in the b-to-b context. Therefore, how broad-based financial service providers actually move from basic services to more advanced ones with higher differentiation potential remains unclear. At the same time, few investigations have been made on how business customers respond to these more advanced offerings as opposed to stand-alone services, let alone whether or in which conditions they generally prefer the more advanced offerings over basic services. Thus, knowledge on the factors that encourage b-to-b customers to buy (or discourage them from buying) comprehensive financial services, including their attitudes on the value they would gain from this behaviour, is limited.

Contributing to these relative gaps in the literature, the objective of this dissertation is to create new knowledge on the application of service transition strategies within service-dominant settings with respect to the customer-provider relationship. This dissertation defines service transition strategies as the "firm's strategic redirections regarding the shift from products/services to solution and/or service offerings" (Fang *et al.*, 2008, p. 2). As for the context of the service-dominant setting, the research focuses on service-based firms without any explicit links to manufactured goods. In terms of the customer-provider relationship, this research focuses on the interaction between service providers and their business customers.

As this research aim is rather broad and complex, it is divided into two main research questions based on the relative gaps identified in the extant literature:

1. *How do service-based providers move from basic services to more advanced ones?*
    a) How or through what kinds of methods and offering structures do service providers sell the more advanced offerings to their customers?
    b) What are the service transition strategies employed in the process?

2. *How do customers respond to these more advanced offerings as opposed to stand-alone services?*
    a) What are the extent and key determinants of financial service provider usage and selection among business customers?
    b) What are the perceived value drivers of purchasing the more advanced offerings?

The positioning of this study in relation to the existing literature, the identified research gaps, the original research articles and the expected contributions are summarised in Table 1.

In the literature, it is stated that firms are increasingly offering fuller market packages of customer-focused comprehensive offerings (e.g. Baines *et al.*, 2009; Nordin and Kowalkowski, 2010; Evanschitzky *et al.*, 2011). Service transition research refers to these more advanced offerings as "solutions", while the financial marketing literature calls them "comprehensive financial services". The first research question focuses on providers' service transition process, examining the steps taken in moving from basic services to more advanced offerings. Aiming to shed light on the application of cross-selling strategies in broad-based financial institutions, research question 1a) contributes to literature by providing knowledge on the sales methods and offering structures applied by service providers in the transition towards comprehensive financial services. Depicting the application of service transition strategies in a service-dominant context, research question 1b) contributes to literature by creating new information on the paths and dimensions applied in this service transition.

Service transition is described in the literature as customer demand–driven (Stremersch *et al.*, 2001; Windahl *et al.*, 2004; Davies *et al.*, 2007). A well-developed solution offered to the customer must be greater in value than its individual components (Cornet *et al.*, 2000; Sharma *et al.*, 2008). Therefore, the second research question focuses on business customers' perspective by exploring their willingness and their perceived value of purchasing these more advanced offerings. With the intention of creating new information on business customers' cross-buying behaviour in relation to comprehensive financial services, research question 2a) expects to contribute to the literature by examining the extent and key determinants of service provider usage and selection in b-to-b markets. Aiming to shed light on how business customers perceive the value of comprehensive financial services, research question 2b) expects to contribute to the literature by increasing knowledge on customer value drivers of combined offerings of bank and insurance services.

Table 1. Positioning of the research questions in relation to the existing literature

Existing research	Gap	Research question	Article	Expected contribution
Identification of cross-selling opportunities (Table 3, p. 19) Descriptions of cross-selling strategies (Bergendahl, 1995; Benoist, 2002; Hislop et al., 2002; Voutilainen, 2006; CEPS, 2009)	Application of cross-selling strategies in broad-based financial institutions	1a) How do service providers sell the more advanced offerings to their customers?	Paper I	Cross-selling methods and offering structures applied in the transition towards comprehensive financial services
Identification of service transition strategies within the manufacturing sector (Table 2, p. 13)	Application of service transition strategies in service-dominant settings	1b) What are the service transition strategies employed in the process?	Papers II and III	Service transition paths and dimensions applied in the transition towards service-based solutions
Determinants of retail customers' cross-buying behaviour (Table 4, p. 22) Determinants of business customers' cross-buying behaviour in relation to banking services (Trayler et al., 2000; Lam and Burton, 2005, 2006; Lam et al., 2009)	Determinants of business customers' cross-buying behaviour in relation to comprehensive financial services	2a) What are the extent and key determinants of financial service provider usage and selection?	Paper IV	The extent and key determinants of business customers' service provider usage and selection in relation to comprehensive financial services
Drivers of retail customers' cross-buying behaviour in reference to banking or insurance services (Table 5, p. 23)	Business customers' perceived value drivers in reference to comprehensive financial services	2b) What are the perceived value drivers of purchasing the more advanced offerings?	Papers I and IV	Business customers' perceived value drivers of purchasing comprehensive financial services

By answering the research questions, this dissertation creates new knowledge on the application of service transition strategies within a service-dominant context from the viewpoint of both service providers and their business customers. A contribution is made by studying transition strategies as steps taken in moving from basic services to more advanced service offerings. Consequently, new knowledge is created by focusing on customer perceptions of the value outcomes of the more advanced offerings as opposed to stand-alone services – information that is critical to the success and viability of service transition.

1.3 Scope and structure of the research

This dissertation conducted in the field of industrial management, and more specifically in b-to-b marketing, discusses service transition in customer-provider relationship activities. The viewpoints of supervisory authorities and regulation are not considered. Because of access-related reasons, the phenomenon is investigated within the financial industry of one country, namely Finland. The target country can be considered an example of an advanced financial industry where the research phenomenon is widely employed (for a description of the Finnish financial industry, see Voutilainen, 2006; Federation of Finnish Financial Services, 2012). Within the financial industry, this research considers services related to universal banking (banking and investment) and insurance (life and non-life). Pension insurance companies, as well as services from other industries provided through network partners, e.g. health care and information technology services, are excluded from the study. Financial alliance formation or the type of the financial alliance is not considered in the research.

As for customers, b-to-b operations and, more important, small and medium-sized enterprise customer operations are chosen as the units of analysis. Among business customers, SMEs have been identified as one of the most profitable and growing customer segments for banks (Connolly, 2000). In the target country and in many European counterparts, as many as 99.8 per cent of all businesses are SMEs (Statistics Finland, 2010), making them a customer group of critical interest to b-to-b financial institutions. In addition, among business customers, SMEs are particularly appropriate for the purposes of the research. In SMEs, the business owner typically controls the choice of service providers and is personally responsible for the interactions with the provider, as opposed to larger organisations where multiple decision makers make investigating the reasoning and perceived value drivers regarding the choice of providers more problematic. In this study, SMEs are classified as micro (≤ 2 M), small (≤ 10 M) and medium-sized (≤ 50 M) enterprises based on their annual revenue in Euros (European Commission, 2011).

The purpose of this dissertation is to study the strategies and outcomes of service transition within the financial industry from the viewpoint of the customer-provider relationship. The dissertation comprises an introductory essay and four scientific articles. The introductory essay consists of five chapters. The first chapter presents the background and motivation of the study by identifying the relevant research gaps, posing the derived research questions and describing the scope of the research. The second chapter presents the theoretical base of the dissertation by illustrating the previous empirical research that is most relevant to the topic; it focuses on the service transition as well as the financial services marketing literature. The third chapter discusses the research design utilised in this study; in this chapter, the applied research methods and the structure of the research are described, followed by an assessment of the chosen methods and their implications on the validity and reliability of this study. In the fourth chapter, the key research findings are presented in relation to the posed research questions. The introductory essay is completed in chapter five; in this final part, the results are discussed and conclusions are drawn, after which the implications, contributions and an evaluation of the research are presented.

2 THEORETICAL FOUNDATION

Definitions and literature regarding the key concepts used in this dissertation are discussed in this chapter to set the boundaries for the theoretical foundation of the research. Literature on service transition is presented, followed by insights on financial marketing research.

2.1 Service transition strategies in service-dominant settings

In recent years, firms have started to seek growth beyond their core business by shifting their focus from stand-alone products to service offerings and value-added solutions (Evanschitzky *et al.*, 2011). Academics have added support to this growing interest in services by arguing that, to compete in the future, firms must shift from a “goods-centred paradigm” to a “service-centred view” (Vargo and Lusch, 2004). Therefore, under the heading of service-dominant (S-D) logic (Vargo and Lusch, 2004, 2008), the theory of marketing has evolved to provide an enlarged conceptual framework that encapsulates this change with other changes in a coherent whole (Cova and Salle, 2008). It has been proposed that solutions, described as the most advanced type of service offerings (Mathieu, 2001; Gebauer *et al.*, 2005; Matthyssens and Vandenbempt, 2008), embody the S-D logic (Tuli *et al.*, 2007). Suggesting that service transition via product-service, services and solutions will become the main competitive differentiator in the future (Auguste *et al.*, 2006; Johnstone *et al.*, 2009), the literature has addressed many questions surrounding service transition. This section conceptualises solutions in S-D settings, presents the key service transition strategy research and provides a detailed view of the dimensions of those transition strategies. Thus, this section forms the theoretical basis for Papers II and III.

2.1.1 Conceptualisation of solution offerings in S-D settings

In the literature, many attributes such as high-value (Foote *et al.*, 2001), customer-centric (Galbraith, 2005), integrated (Davies, 2004), customer (Sawhney, 2006; Tuli *et al.*, 2007) and value-added (Matthyssens and Vandenbempt, 2008) have been used as prefixes in reference to solutions. In this study, “solutions” are defined as “individualised offers for complex customer problems that are interactively designed and whose components offer an integrative added value by combining products and/or services so that the value is more than the sum of the components” (Evanschitzky *et al.*, 2011, p. 657). Four critical dimensions of solutions can be extracted from this definition. One, a solution consists of a combination of individual products and/or services (Wise and Baumgartner, 1999; Brady *et al.*, 2005). Two, a solution is an offering customised for the customer, as opposed to a pre-designed, standardised offering (Oliva and Kallenberg, 2003; Tuli *et al.*, 2007). Three, solutions involve a high degree of integration of the various components within the offering (Krishnamurthy *et al.*, 2003; Brax and Jonsson, 2009). Four, a well-developed solution offered to a customer must be greater in value than its individual components, giving rise to a non-dissociable whole (Cornet *et al.*, 2000; Sharma *et al.*, 2008).

Stemming from a product-centric paradigm (Nordin and Kowalkowski, 2010), the literature usually interprets solutions as consisting of two inherent parts: physical products and services (Oliva and Kallenberg, 2003; Windahl *et al.*, 2004). However, the need to include actual manufactured products in a solution can be contradicted. The two perspectives of service(s) suggested by Vargo and Lusch (2008) in S-D logic can be used to justify this argument. In goods-dominant (G-D) logic, services are viewed as either a restricted type of (intangible) good or as an add-on that enhances the value of a good. In S-D logic, service—a process of doing something for another party—is considered in its own right without reference to goods and is identified as the primary focus of exchange. Accordingly, a distinction is made between two types of services: services supporting the product (SSPs) and services supporting the customer's actions (SSCs) (Mathieu, 2001). Focusing on tangible goods, SSPs can be considered congruent with the definition of services by Vargo and Lusch (2008); shifting the focus to the end-user processes, SSCs have been equated with solutions (Gebauer *et al.*, 2005).

Based on these definitions, services do not differ notably from goods and may be produced according to the G-D perspective. Thus, service-based providers may also be positioned at the beginning of the continuum from pure products to solutions, as suggested by theory (e.g. Davies *et al.*, 2006; Matthyssens and Vandenbempt, 2008). Consequently, they may face a shift from G-D to S-D logic, i.e. from the provision of services to the provision of service. Therefore, the consideration of service transition should be extended to service-dominant settings, making service-based solutions a subject of research in their own right, without explicit linkages to manufactured goods. For now, little is known about service transition related to solutions originating in service industries.

Empirical research connecting manufacturers' service transition with the shift from G-D to S-D logic can be considered emerging, with only a few examples in the literature (e.g. Cova and Salle, 2008; Windahl and Lakemond, 2010; Salonen, 2011). Interestingly, the results of these studies seem to question to some extent the idea of a linear transition from products to solutions. Windahl and Lakemond (2010) illustrate that, rather than moving along a linear continuum from goods to services, companies developing solutions need to balance the elements of both goods- and service-logics. Salonen (2011) echoes these notions by stating that, in reality, service transition strategies conform to the two distinct but complementary logics of offering product-related services (SSPs) while transitioning to more advanced services (SSCs) through a solutions strategy. Salonen (2011) concludes that the shift to SSCs is consistent with S-D logic, whereby providers are increasingly adopting a solution orientation; but at the same time, this transformation is multifaceted, with both G-D and S-D logics at play. Thus, the potential for further investigation clearly exists in this area, as the service transition process regarding G-D and S-D logics is not yet well understood.

2.1.2 Service transition strategies

The literature regarding the shift from products to service/solutions is multidisciplinary, using several terms and developing from different perspectives (Matthyssens and Vandenbempt, 2010; Windahl and Lakemond, 2010). This study refers to this shift as "service transition strategies" (Fang *et al.*, 2008, p. 2). This definition was chosen because it is considered an accurate description of the move from the provision of "services" to "service", denoting this shift with the commonly used concept of "transition" (Oliva and Kallenberg, 2003; Matthyssens and Vandenbempt, 2010; Salonen, 2011). Another closely related term is "servitisation" (Vandermerwe and Rada, 1988; Baines *et al.*, 2009), defined as "the innovation of an organisation's capabilities and processes to better create mutual value through a shift from selling product to selling product-service systems" (Baines *et al.* 2009, p. 547). As this term is highly associated with manufacturing, it was not considered to fit the context of this study. Likewise, the less frequently used terms "service strategies" (Gebauer, 2008), "service addition" (Matthyssens and Vandenbempt, 2010) and "service-development strategies" (Nordin *et al.*, 2011) were not considered to reflect the move from services to service as appropriately as "service transition strategies".

As part of the service transition literature, relying on the classification of Pawar *et al.* (2009, p. 470), this paper focuses on the "integrated solutions" literature stream, integrating insights from what Windahl and Lakemond (2010, p. 1281) distinguish as the "installed base" and "strategic" perspectives. On the one hand, such studies discuss solutions as the most advanced type of service offerings (e.g. Mathieu, 2001; Oliva and Kallenberg, 2003; Gebauer *et al.*, 2005). On the other hand, these studies emphasise the transition towards solutions as a new strategic positioning involving different strategy trajectories that guide companies through the transformation from product-based to service-based offerings (Penttinen and Palmer, 2007; Gebauer, 2008; Matthyssens and Vandenbempt, 2008, 2010). This approach was considered to fit the problem setting of the study.

One of the central notions within the service transition literature is that services are far from homogenous (Eggert *et al.*, 2011) and can therefore take many forms (Salonen, 2011). In general, a distinction is made between traditional services and more advanced ones (Cespedes, 1994; Boyt and Harvey, 1997). Additionally, services are divided based on the nature of the customer-provider relationship as transactional or relational (Frambach *et al.*, 1997). Most typologies acknowledge both these aspects. For instance, in Mathieu's (2001) classification, SSPs are described as fairly standardised offerings with a transactional nature, whereas the more advanced SSCs entail high levels of customisation and relationship intensity.

The same aspects are also observed in studies describing alternative strategy trajectories to guide companies through service transition (Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2008, 2010). In the illustrated frameworks, each type of transition trajectory is described in terms of change taking place along two dimensions; by combining the transitions along these two dimensions, the authors identify four types of different service strategies. Recent studies have also suggested "ideal" service strategies for providers based on customer insights (Gebauer, 2008; Helander and Möller, 2008). A summary of the studies is presented in Table 2.

Table 2. Review of previous empirical research on service transition strategies

Reference	Focus	Methodology	Transition dimensions	Service strategy
Gebauer (2008)	– Identification of service strategies that correspond with specific environment-strategy fit	Exploratory factor and cluster analysis: – 195 strategic business units from manufacturing companies – interviews with semi-structured questionnaire	Competitive advantage – cost leadership – service/product differentiation Type of service – after-sales oriented services – process-oriented services – operational services – R&D services	– After-sales service provider – Customer support service provider – Outsourcing partner – Development partner
Helander and Möller (2008)	– Exploration of the roles system suppliers may have for their customers – Identification of factors that may change the role during the relationship	Multiple case study: – seven suppliers from ICT and engineering industries, seven customer companies – interviews, secondary data – data analysis not specified	Customer's strategy – independent – shared expertise – reliance on supplier Supplier's key capabilities – product-focused services – end-to-end system supplier – process optimisation	– Equipment / material supplier – Solution provider – Performance provider
Matthyssens and Vandenbempt (2008)	– Investigation of the alternative strategies for moving from basic products to solutions – Identification of challenges in the transformation process	Mixed qualitative research: – 12 suppliers from the electro-technical industry – interviews, focus groups, secondary data – data analysis not specified	Business process integration – from low to high Technical application integration – from low to high	– Basic products – Tailored systems – Process management – System integrator (turnkey)
Matthyssens and Vandenbempt (2010)	– A typology of service addition strategies and trajectories used in service addition – Identification of factors that drive/inhibit firms in these trajectories	Multiple case study: – five suppliers from the machine manufacturing industry – interviews, secondary data – grounded theory, systematic combining approach	Degree of customisation – from standardised to customised Added customer value in the offerings – from mainly product-based to mainly service-based	– After-sales service – Service partner – Solution partner – Value partner
Oliva and Kallenberg (2003)	– Identification of the dimensions considered when creating a service organisation – Successful strategies to navigate the transition	Field study: – 11 suppliers from the machine manufacturing industry – interviews, secondary data – grounded theory	Focus of the value proposition – from product-oriented to end user's process-oriented Customer interaction – from transaction-based to relationship-based	– Basic installed base services – Maintenance services – Professional services – Operational services
Penttinen and Palmer (2007)	– Analysis of the strategic repositioning of firms through changes in their market offerings and buyer-seller relationships	Multiple case study: – four suppliers from the product manufacturing industry – interviews, site visits, secondary data – theory-building approach	Nature of relationship – from transactional to relational Completeness of offering – from less complete to more complete	– Basic components – Basic solution – Integrated components – Integrated solution

In the proposed service-transition frameworks (Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2008, 2010), providers are assumed to start from a position in which they already offer services to sell and support their products. Two alternative paths are proposed in terms of developing the basic offering: a relationship-based or a process-centred path. The most advanced stage of solutions is achieved by combining these paths, i.e. by following the process-centered path after the relational path and vice versa.

The relational transition is presented as a synonym for forging strong customer relationships. In this path, companies change their customer interactions from transactional to relational (Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007) by increasing operational linkages, information exchange and legal bonds; establishing cooperative norms (Penttinen and Palmer, 2007); implementing "co-makership" and partnership programs (Matthyssens and Vandenbempt, 2008); and focusing on customer-centricity, long-term orientation and joint problem solving (Matthyssens and Vandenbempt, 2010). These aspects are often connected with customisation (see the technical integration route by Matthyssens and Vandenbempt, 2008, and the product-focused customisation route by Matthyssens and Vandenbempt, 2010).

In the process-centred transition, instead of selling mere products, the providers focus on integrating their offering into the customer's business process (Matthyssens and Vandenbempt, 2008), i.e. shifting the orientation of the offering from the product to the end user's processes (Oliva and Kallenberg, 2003). Therefore, the initial product simply becomes a part of the offering as opposed to the centre of the value proposition (Oliva and Kallenberg, 2003), and the added customer value of the offering changes from mainly product-based to mainly service-based (Matthyssens and Vandenbempt, 2010). In the process, the basic offering is enhanced through product/service bundles and extended services, with the aim of composing a complete partial outsourcing offering that meets customer needs (Penttinen and Palmer, 2007).

As for "ideal" positions in the service trajectories, Gebauer (2008) and Helander and Möller (2008) consider customer conceptions. Gebauer (2008) emphasises that the most suitable service strategy is one that is based on considering customer characteristics; highly competitive customers should be targeted with cost leadership, and low competitive intensity is best matched with service/product differentiation. Helander and Möller (2008) capture the move from product- to process-oriented services by describing three roles for suppliers based on the strategy employed by their customers. Independent customers, customers relying on shared expertise and customers relying heavily on the supplier's expertise should be targeted with different offerings.

2.1.3 Dimensions of service transition

Based on the literature, the evolution of the basic offering into a solution is connected with relational / process-centred transition, characterised by the following transition dimensions:

- Relational path
  - from transactional to relational (Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007)

- from standardised to customised (Matthyssens and Vandenbempt, 2008, 2010)

- Process-centred path
  - from product-oriented to end user’s process-oriented (Oliva and Kallenberg, 2003; Matthyssens and Vandenbempt, 2008)
  - from product-based to service-based offerings (Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007; Gebauer, 2008; Matthyssens and Vandenbempt, 2010)
  - from basic to integrated offerings (Penttinen and Palmer, 2007)

As the boundaries of these dimensions overlap to some extent, we follow the definition of solutions employed by Evanschitzky *et al.* (2011, p. 657) and utilise the typology used by Nordin *et al*. (2011) classifying service transition dimensions as follows: 1) the range of the offering, 2) relational focus and customisation, and 3) integration. Relational focus and customisation are clearly connected to the relational path, while the range of the offering and the degree of integration relate to the transition from product orientation to end user’s process orientation. Combined, these service transition dimensions should contribute to the realisation of the fourth element of solutions, namely the outcome of solutions.

Range of the offering

Service transition entails changes regarding the range of the offering (Gebauer *et al.*, 2005; Gebauer, 2008), referring to the number and variety of elements combined in the offering (Galbraith, 2005; Nordin *et al.*, 2011). This change reflects the notion of moving from mainly product-based offerings, where services are considered merely add-ons to products, to mainly service-based offerings, where the offering is considered mainly a service (Oliva and Kallenberg, 2003; Matthyssens and Vandenbempt, 2010). When considering service transition, a provider needs to decide whether to offer services related only to its core business or to extend the range by offering unrelated services (Fang *et al.*, 2008; Helander and Möller, 2008). Some authors (Gebauer *et al.*, 2005; Davies *et al.*, 2006; Penttinen and Palmer, 2007) perceive service transition to require service extension, i.e. extending the range of the offering.

Relational focus and customisation

Changing the nature of customer interactions from relational to transactional is often considered to include an increase in the degree of customisation. In fact, many authors identify customisation as a key element of service transition (Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2008, 2010). In the service transition literature, customisation is defined as designing, modifying or selecting products/services to fit a customer’s environment and to meet that customer’s needs (Davies *et al.*, 2006; Tuli *et al.*, 2007). The degree of customisation has been noted to range from segment-specific to customer-specific (Krishnamurthy *et al.*, 2003), depending on the variation in end-user needs and end-use contexts and the value that customers place on customisation (Sawhney, 2006). As customer-specific customisation conflicts with preserving the economies of scale through standardisation and focus (Miller *et al.*, 2002), it is often suggested that it be combined with well-defined modular structures to achieve economies of scale at the component level (Windahl *et al.*, 2004; Davies *et al.*, 2006). As customised offerings based on a modular platform allow for unique configurations for sets of similar customers at much lower costs than customising offerings individually for each customer

(Miller *et al.*, 2002; Davies *et al.*, 2006), providers have been advised to adopt a "solutions factory" approach of altering and replicating an initial solution developed for one customer for similar customers (Shepherd and Ahmed, 2000; Davies *et al.*, 2006).

Integration

Increasing the degree of integration between the components within the offering, often referred to as bundling, is described as an inherent part of service transition (Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2008). Integration has been noted to require an incremental approach with intermediate steps such as packaging and gradual integration (Baines *et al.*, 2009). In terms of the degree of integration, Penttinen and Palmer rely on the classification of Adams and Yellen (1976) by distinguishing between three alternative strategies: pure component (all components offered separately), pure bundling (components available only in a bundled form) and mixed bundling (components available both separately and in a bundled form). Stremersch and Tellis (2002) divide these strategies further based on the focus of bundling: price bundling is the sale of two or more separate products in a package at a discount without any integration, whereas product bundling is the integration and sale of two or more separate products at any price.

The outcome of solutions

The general divider between price and product bundling is simple: to yield a higher price, the integration of the elements included in the offering should provide more value for the customer than buying the individual parts separately (Stremersch and Tellis, 2002). This notion leads us back to the definition of solutions: the value of the solution should exceed the value of the individual components, giving rise to a non-dissociable whole (Sawhney, 2006; Sharma *et al.*, 2008). If the degree of integration is low, customers can disaggregate the offer and source each component separately (Johansson *et al.*, 2003). In this case, a pricing discount, i.e. price bundling (Stremersch and Tellis, 2002), is needed to motivate customers to buy the combined offering. The greater the integration, the greater the likelihood that customers may not be able to unravel the solution in terms of its components; thus, the value and the intangibility of the solution offering are at its best (Sharma and Iyer, 2011). Even though the term "value" is widely used in relation to solutions, it is not always clear exactly what constitutes the value of the solution. In the literature, outcomes such as better or easier life for the customer (Miller *et al.*, 2002), solved customer problems (Sawhney, 2006), satisfied customer needs (Tuli *et al.*, 2007) and non-price-based customer value addition (Matthyssens and Vandenbempt, 2008) are mostly cited in reference to solutions.

2.2 Comprehensive financial services in business markets

It has been claimed that changes in the market have driven the once traditional financial service providers towards the increasing provision of comprehensive financial services, i.e. offering customers a seamless service of banking, investment and insurance (Ryan, 2001, Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002). As a result, the majority of today's financial players practise one or another type of cross-selling (Benoist, 2002; Ryan, 2001; Van den

Berghe and Verweire, 2001; Jarrar and Neely, 2002; Ngobo, 2004). Matching this development, a wide range of literature has appeared on the subject. This section outlines the concept of comprehensive financial services and presents a review of literature on cross-selling and cross-buying. In this section, the term “product” is used interchangeably with the term “services”, as financial marketing literature often refers to financial services as products. The theoretical background presented in this section forms the basis for Papers I and IV.

2.2.1 The concept of comprehensive financial services

In the financial industry, cross-sectoral cross-selling is closely related to financial convergence, which is defined as the blurring of conventional boundaries of the once discrete financial sectors with the intent to offer customers a portfolio of comprehensive financial services (Ryan, 2001). The concept is used in the literature as a general term relating to all types of interfaces between financial service providers and the demand for all types of financial services (Van den Berghe and Verweire, 2001). In essence, financial convergence is effectively redefining the roles played by traditional financial service providers. Convergence is occurring across the traditional market sectors of banking, investment and insurance to create financial conglomerates (Ryan, 2001), i.e. groups formed by different types of financial institutions such as banks, investment institutions and insurance companies (Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002).

Connected to financial convergence, terms such as “bancassurance” and “allfinanz” are often used to refer to the activity of banks selling insurance services traditionally provided by insurance companies (Bergendahl, 1995; Flur *et al.*, 1997; Van den Berghe and Verweire, 2001). The opposite trend of insurers selling financial services usually provided by banks is referred to as “assurfinance” (Benoist, 2002; Van den Berghe and Verweire, 2001). Bancassurance, allfinanz and assurfinance are all encompassed in the term “comprehensive financial services”, which in this dissertation is defined as a financial conglomerate that offers its customers a seamless service of banking, investment and insurance (Hislop *et al.*, 2002). The provision of comprehensive financial services is often connected to the concept “one-stop shopping”, defined as offering the customer as many banking, investment and insurance services as possible in one place during one customer service event, with the aim of composing a comprehensive “total” solution for all the customer’s financial service needs (Benoist, 2002; Ngobo, 2004; Korhonen and Voutilainen, 2006).

Financial conglomerates often include units such as mutual fund management companies, asset management companies and securities brokerages. However, in most European countries, banks are allowed to be “universal”, meaning it is customary for them to include the abovementioned functions (Van den Berghe and Verweire, 2001; Voutilainen, 2005). As this applies in the context of this study, the rest of the paper refers to two wider service categories: banking and insurance. In this classification, all investment functions are included in the banking category. The insurance industry is classified into two major groups: life and non-life (also known as property-casualty). Life insurance companies’ services provide protection in the event of untimely death, illnesses and retirement, whereas the services of a property-casualty insurance company protect the policyholder against personal injury and liability due to accidents, theft, fire and other catastrophes (Saunders and Cornett, 2007).

2.2.2 Cross-selling comprehensive financial services

"Cross-selling" is defined as the practice of promoting additional products to existing customers in addition to the one(s) that a customer currently has (Butera, 2000; Ansell *et al.*, 2007). Cross-selling also involves encouraging a company's customers who have already bought its Product A to buy its Product B as well (Knott *et al.*, 2002). Related albeit less frequently used terms are "up-selling", i.e. inducing the customer to buy enhanced products, upgrades and add-ons (Ansell *et al.*, 2007), and "relationship depth", i.e. the frequency of a customer's usage of a certain product over time (Liang and Chen, 2009). In the financial marketing literature, cross-selling is approached from two viewpoints: the efficient prediction of cross-selling opportunities and the description of various cross-selling strategies.

The majority of empirical research has been directed to the analysis of cross-selling opportunities by testing different methodologies for the recognition of common acquisition patterns of services and by identifying specific customer segments as the best prospects for cross-selling (e.g. Kamakura *et al.*, 1991, 2003; Harrison and Ansell, 2002; Knott *et al.*, 2002; Li *et al.*, 2005; Lymberopoulos *et al.*, 2004; Ansell *et al.*, 2007). The main findings of these studies are summarised in Table 3. The empirical evidence of these studies is mainly based on analysing current product ownership and customer characteristics data in the context of retail customers. Aside from one exception (Lymberopoulos *et al.*, 2004), these studies focus primarily on cross-selling within a single financial sector. The findings of the studies suggest that multiple models are useful in the prediction of cross-selling opportunities, but they do not actively compare the effectiveness of the proposed models.

Efforts have also been directed to studying cross-selling strategies within financial institutions. Even though integration has been argued to be the key element in cross-selling between banking and insurance sectors (Van den Berghe and Verweire, 2001; Liu and Wu, 2007), the question of how cross-sectoral integration is organised in practice by financial institutions is addressed by few papers. Based on these studies, two integration-related transitions related to cross-selling are clearly identifiable in the literature: changes in the methods of cross-selling and changes in the structures of the combined offerings of banking and insurance.

As for changes in cross-selling methods, banks and insurers have traditionally based their cross-sectoral cross-selling on direct marketing or sales leads. In this approach, bank and insurance services are offered to the customer at separate sales events, i.e. at different points in time and possibly in different physical locations. Due to financial convergence, this tradition has changed; based on the literature, one-stop shopping of banking and insurance services has become an established practice in the industry (Jarrar and Neely, 2002; Kamakura *et al.*, 2003; Voutilainen, 2006). Even though the concept of one-stop shopping is advocated in the majority of studies, it is mostly used only as a general notion. As a result, the studies provide next to no empirical evidence on the comparison of one-stop shopping with separate sales events.

Table 3. Research on the identification of cross-selling opportunities

Focus	Findings	Reference
Methodologies for the identification of cross-selling prospects	– Lifestage segmentation and survival analysis show clear differences in cross-selling opportunities between the lifestage segments identified with respect to customer characteristics	Ansell *et al.*, 2007
	– Survival analysis can be used to predict which customers are the most likely to cross-buy, what the products are likely to be and the time frame in which the next purchase is likely to be made – Variables that affect the likelihood to purchase may differ among products; an analysis of the relationship between the first purchase and the second purchase can be made, given that the average product holding is overall relatively small	Harrison and Ansell, 2002
	– Given estimates of the financial maturity of households, the sequence and probability of product acquisition can be predicted with latent trait theory	Kamakura *et al.*, 1991
	– A mixed data analyser can be used for the prediction of customers' likely buying behaviour beyond products currently owned from the firm – Mixed data analyser outperforms the latent trait model	Kamakura *et al.*, 2003
	– The "next-product-to-buy" model shows that current product ownership is the most crucial predictor of the likelihood of next product adoption	Knott *et al.*, 2002
	– The best cross-sectoral cross-selling opportunities stem from the finding that awareness of the offering of insurance by banks is low, in contrast to the willingness to use banks as insurance providers, which is very high – Customers are most willing to buy vehicle, home and health insurance from their banks	Lymberopoulos *et al.*, 2004
Predicted sequence of acquisition	– Foundation services (checking/savings/credit card/mortgage/other loans) - risk management and cash reserves (life insurance/pension plan/individual retirement account/money market) - growth to offset inflation (stocks/cash management account/mutual funds) - risky tax protection assets (travel/entertainment card/tax shelters/bonds/real estate) - current income-post retirement (certificates of deposit/T-Bills/time deposits/annuities)	Kamakura *et al.*, 1991
	– Checking - savings - debit card - credit card - instalment loan – certificate of deposit - money market - brokerage	Li *et al*., 2005
Specific target segments	– "Mature" segments offer greater retention and cross-selling opportunities than "younger" segments	Ansell *et al.*, 2007
	– "Financial maturity" is related to customers' demographic characteristics and their investment objectives	Kamakura *et al.*, 1991
	– Women and older customers are more sensitive to their overall satisfaction with the provider than men and younger customers when determining whether to cross-buy – People with higher education, older age and higher income progress more quickly along the financial maturity continuum than others	Li *et al*., 2005
	– Older clients seem less likely to cross-buy dissimilar product categories than younger clients; younger clients are more willing to view their banks as providers of insurance and investment	Liu and Wu, 2007
	– Age, gender, education and income affect customer attitudes; younger male customers with lower-medium levels of education and higher levels of income seem to be more positive about choosing their banks as their insurance providers	Lymberopoulos *et al*., 2004

Regarding the changes in the structure of the offerings, in the literature, one-stop shopping is closely related to product bundling, i.e. product-level integration between the bank and insurance sectors. Although pressure towards traditionally provided individual, independent and non-related products with transparent charges has been implied to prevail (Howard, 2000), product bundling and especially cross-sectoral product combinations are said to be important emerging trends in the financial industry (Butera, 2000; Hislop *et al.*, 2002; Korhonen and Voutilainen, 2006). The extant literature specifies two strategies for product combinations: pure bundling and mixed bundling (Bergendahl, 1995; CEPS, 2009).

Pure bundling refers to a situation where a banking product and an insurance product are only available in a bundled form (Bergendahl, 1995; Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002). These products are also referred to as a "hybrid products" (Voutilainen, 2005; Korhonen and Voutilainen, 2006). In a pure bundle, the banking component and the insurance component are closely interrelated and strongly dependent on each other (Voutilainen, 2006), which means the sale of one of them will imply that the other one is distributed simultaneously (Bergendahl, 1995).

Thus, in pure bundling, none of the package components are available separately, and the components are offered in fixed proportions (CEPS, 2009). A classic example of a pure bundle is the combination of a loan and credit protection insurance (CPI), where the insurance part or the loan cover does not exist without the loan, and the loan cannot be characterised as safe without the cover (Bergendahl, 1995; Benoist, 2002; Voutilainen, 2006). A car loan combined with vehicle insurance and a mortgage combined with home insurance (Bergendahl, 1995; Lymberopoulos *et al.*, 2004) are other examples of pure bundles. Interestingly, vehicle insurance and home insurance have been found to be among the insurance products that retail customers are most willing to buy from their banks (Lymberopoulos *et al.*, 2004).

Mixed bundling occurs whenever two or more products are sold together in a package, although each of the products can also be purchased separately in the market (Bergendahl, 1995; CEPS, 2009). The joint distribution of bank and insurance services through one-stop shopping is a good example of mixed bundling. Efficient cross-selling of a mixed bundle will thus be based on the ability to identify customers that buy regular banking services and are willing to add on insurance products as well (Bergendahl, 1995), or vice versa. Mixed bundling is associated with price rebates, which means that purchasing the bundle is cheaper than purchasing all the products separately (CEPS, 2009). The proliferation of service bundles has been predicted to evolve into a buffet concept where customers can customise their own service package, i.e. pick k out of n, helping to meet the exact needs of the customers (Lau *et al.*, 2004).

Following these categories, comprehensive financial services can be classified in terms of a 2 x 2 matrix that divides their cross-selling approaches into four classes, as illustrated in Figure 1.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	**Class 1**	**Class 2**
	Hybrid products	**Class 3**	**Class 4**

Figure 1. The classification of combined offerings

This classification distinguishes the two types of cross-selling methods, namely separate sales events and one-stop shopping, and the two types of interrelations between the banking and insurance products within the offering, namely non-related products and hybrid products.

2.2.3 Customer-perceived value drivers of cross-buying financial services

Cross-selling can only be attained if customers are willing to cross-buy. By definition, cross-selling requires wider customer acceptance of buying different products from the same provider (Ngobo, 2004; Soureli *et al.*, 2008). Cross-buying is defined in the literature as the buying of different products from the existing provider in addition to the ones the customer currently has (Ngobo, 2004), or as the number of different products acquired from the same provider over time (Verhoef *et al.*, 2001; Liang and Chen, 2009). The term “relationship breadth” has also been used to denote cross-buying (Verhoef *et al.*, 2001; Liang and Chen, 2009).

The literature approaches cross-buying from the perspective of relationship marketing, discussing the concept in relation to the different facets of customer satisfaction and loyalty (Verhoef *et al.*, 2001, 2002; Ngobo, 2004; Li *et al.*, 2005; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008; Liang and Chen, 2009), and to some extent the effect of acquisition channels used by customers (Hitt and Frei, 2002; Verhoef and Donkers, 2005). Although some debate remains as to whether cross-buying is an antecedent or a consequence of behavioural loyalty (Reinartz *et al.*, 2008), except for the study of Hitt and Frei (2002), the literature implies that behavioural loyalty drives cross-buying. In the existing research, cross-buying is discussed solely in the context of retail customers. Aside from the studies of Ngobo (2004) and Verhoef *et al.* (2001), the research focuses primarily on one financial sector. Table 4 presents a review of the existing research.

The term one-stop shopping, frequently used in relation to cross-sectoral cross-buying, is said to have become a dominant cross-selling method in the financial sector (Kamakura *et al.*, 2003; Ngobo, 2004). For some reason, the literature on retail customers commonly proposes that customers prefer one-stop shopping and wish to purchase different types of financial services from the same provider (Benoist, 2002; Lee and Marlowe, 2003). Research on the drivers of customers’ cross-buying intentions (e.g. Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008) explain this phenomenon through the creation of customer value. In b-to-b markets, customer-perceived value is often defined as the trade-off between the multiple benefits (what the customer receives) and costs or sacrifices (what the customer gives up to acquire or use a product) of the provider's offering perceived by the key decision makers in the customer's organisation. It takes into consideration the available alternative suppliers' offerings in a specific-use situation (Ravald and Grönroos, 1996; Ulaga and Chacour, 2001). Table 5 summarises the retail customers' cross-buying drivers.

Table 4. Review of empirical cross-buying research in the retail financial industry

Reference	Focus	Data specification	Findings
Hitt and Frei (2002)	– Value sources of online distribution channels for service providers	– Cross-buying (IV) – Customer buying behaviour (asset and liability adoption, number of products) (DV)	– Customers adopting PC banking are more profitable, principally due to unobservable characteristics extant before the adoption
Jeng (2008)	– Customer trade-offs in cross-buying consideration	– Corporate reputation, personal relationships, competitors' prices, product variety (IV) – Cross-buying intention (DV)	– Corporate reputations and interpersonal relationships contribute significantly to cross-buying intention
Li *et al*. (2005)	– The sequential acquisition patterns of financial services	– Satisfaction, switching costs, ownership and transaction data, demographics (IV) – Cross-buying sequence (DV)	– Customer satisfaction and switching costs have a significant influence on cross-buying
Liu and Wu (2007)	– An integrated model for the antecedents of customer retention and cross-buying	– Locational convenience, one-stop shopping convenience, satisfaction, trust, firm reputation, firm expertise, relationship length (IV) – Retention, cross-buying (DV)	– One-stop shopping convenience, firm reputation, firm expertise and trust have a significant impact on cross-buying
Ngobo (2004)	– Drivers of customers' cross-buying intentions for services	– Service quality, perceived value, perceived convenience, satisfaction, switching costs, repurchase intention, image, previous experiences with service providers (IV) – Cross-buying intentions (DV)	– Perceived one-stop shopping convenience and image conflicts are the most important predictors of customers' cross-buying potential – Previous service experience has a marginal effect on cross-buying
Verhoef and Donkers (2005)	– The impact of acquisition channels on customer loyalty and cross-buying	– Acquisition channel, buying behaviour, customer characteristics (IV) – Loyalty, cross-buying (DV)	– The effect of the utilised acquisition channel on cross-buying is weak – Cross-buying is mainly affected by marketing efforts during the relationship
Verhoef *et al*. (2001)	– The impact of customer satisfaction and payment equity on cross-buying	– Satisfaction, payment equity, relationship duration, marketing instruments, demographics (IV) – Cross-buying (DV)	– The effect of satisfaction differs depending on the relationship length – Payment equity negatively affects cross-buying in long customer relationships
Verhoef *et al*. (2002)	– The effect of relational constructs on cross-buying	– Trust, commitment, satisfaction, payment equity, relationship age (IV) – Cross-buying (DV)	– The impact of satisfaction with and commitment to cross-buying increases with relationship age
Soureli *et al*. (2008)	– Equation model of factors affecting cross-buying	– Perceived value, satisfaction, image, trust (IV) – Cross-buying intention (DV)	– Image and trust are central in the formation of cross-buying intention

Notes: IV = independent variable, DV = dependent variable

As seen in Table 5, multiple benefits (Ngobo, 2004; Liu and Wu, 2007; Soureli *et al.*, 2008) have been suggested in relation to buying different types of financial services from the same provider. The costs or sacrifices limiting customers' willingness to do so have received less attention in the literature and have been mainly linked to switching costs and image conflicts (Ngobo, 2004). As evidence on these drivers is collected among retail customers, these studies provide little validation of the cross-buying behaviour among SME customers.

Table 5. Drivers of retail customers' cross-buying behaviour

Driver	Findings	Reference
Acquisition channels	– Acquisition channels used have some, albeit weak, effect on cross-buying – Customers using online channels appear to acquire products at a slightly faster rate compared to offline customers	Verhoef and Donkers (2005) Hitt and Frei (2002)
Competitor's prices	– If the focal supplier's prices are perceived as fairer than the prices of the competitor, the probability of cross-buying increases – The more superior the price offered by competing suppliers relative to that provided by the focal supplier, the lower the customers' cross-buying intentions	Verhoef *et al.* (2001) Jeng (2008)
Competitor's product variety	– The higher the degree of product variety offered by competing suppliers, the lower the customers' cross-buying intentions	Jeng (2008)
Corporate reputation	– Corporate reputation has a significant impact on cross-buying – The better the company's reputation, the higher the customers' cross-buying intentions	Liu and Wu (2007) Jeng (2008)
Image	– The greater the customers' image conflicts about the service provider's capabilities, the lower their cross-buying intentions – Corporate expertise has a direct effect on customers' cross-buying – Corporate image is central in the formation of cross-buying intentions	Ngobo (2004) Liu and Wu (2007) Soureli *et al.* (2008)
Marketing instruments	– Direct mailings and loyalty programs affect cross-buying positively – Cross-buying is affected mainly by marketing efforts, e.g. mailings, loyalty programs, applied during the relationship – Direct mailings have a positive effect on cross-buying	Verhoef *et al.* (2001) Verhoef and Donkers (2005) Liu and Wu (2007)
One-stop shopping convenience	– The perceived convenience of one-stop shopping is positively associated with cross-buying intentions – One-stop shopping convenience has a direct effect on cross-buying	Ngobo (2004) Liu and Wu (2007)
Payment equity	– Payment equity has no main effect on cross-buying; it may negatively affect cross-buying for customers with long relationships – Payment equity is positively related to cross-buying	Verhoef *et al.* (2001) Verhoef *et al.* (2002)
Perceived value	– Although perceived value is associated with cross-buying, it is not an important incentive for cross-buying – Perceived value has no direct impact on customers' cross-buying intentions	Ngobo (2004) Soureli *et al.* (2008)
Personal relationships	– Interpersonal relationships between customers and salespersons contribute significantly to customers' cross-buying intentions	Jeng (2008)
Structural bonds	– Structural bonds increase customers' likelihood of expanding their relationship through cross-buying	Liang and Chen (2009)

Nevertheless, in several countries, studies on banking loyalty and share of wallet among business customers have investigated the drivers of SMEs' bank usage behaviour (e.g. Trayler *et al.*, 2000; Lam and Burton, 2005, 2006; Lam *et al.*, 2009). These studies show a notably high proportion of split banking, i.e. the use of more than one bank, and bank switching behaviour by SMEs in Hong Kong (Lam and Burton, 2005) compared to Australia and the United States (Trayler *et al.*, 2000). Specialised banking skills, perceived risk and a better negotiation position have been suggested to influence the choice to use more than one bank (Lam and Burton, 2006), whereas willingness to accommodate credit needs, efficiency in daily operations, personal banking relationship and convenient location have emerged as the key determinants of bank selection and retention (Trayler *et al.*, 2000; Lam and Burton, 2005).

Focusing solely on the banking sector, these studies do not provide evidence on SMEs' insurance provider usage behaviour. By revealing conflicting results on SMEs' bank usage and describing SMEs as reluctant to use one provider exclusively (Lam *et al.*, 2009), the findings nevertheless clearly suggest that preference towards cross-buying of bank and insurance services cannot be taken for granted in b-to-b markets.

2.3 Synthesis of the theoretical foundation

This dissertation relies on an integrated theoretical approach consisting of two separate streams of literature: service transition strategy research and financial marketing research. Table 6 provides a synthesis of this theoretical foundation in relation to the research questions and the original research articles.

Table 6. Synthesis of the theoretical foundation in relation to the research questions

Research question	Article	Literature stream	Theoretical foundation	Key references
1a) How do service providers sell the more advanced offerings to their customers?	Paper I	Financial marketing	Cross-selling methods – separate sales events – one-stop shopping Comprehensive offering structures – non-related services – hybrid services	Bergendahl, 1995; Butera, 2000; Van den Berghe and Verweire, 2001; Hislop *et al.*, 2002; Kamakura *et al.*, 2003; Lau *et al.*, 2004; Lymberopoulos *et al.*, 2004; Korhonen and Voutilainen, 2006; Voutilainen, 2006; CEPS, 2009
1b) What are the service transition strategies employed in the process?	Papers II and III	Service transition	Relational transition – relational focus – customisation Process-centred transition – range of the offering – integration	Adams and Yellen, 1976; Stremersch and Tellis, 2002; Oliva and Kallenberg, 2003; Penttinen and Palmer, 2007; Gebauer, 2008; Helander and Möller, 2008; Matthyssens and Vandenbempt, 2008, 2010; Evanschitzky *et al.*, 2011
2a) What are the extent and key determinants of financial service provider usage and selection?	Paper IV	Financial marketing	Financial service provider usage behaviour – share of customer's wallet – customer switching behaviour	Trayler *et al.*, 2000; Lam and Burton, 2005, 2006; Lam *et al.*, 2009
2b) What are the perceived value drivers of purchasing the more advanced offerings?	Papers I and IV	Service transition Financial marketing	The trade-off between the – benefits (what the customer receives) and – costs or sacrifices (what the customer gives up to acquire or use a product or service)	Ravald and Grönroos, 1996; Ulaga and Chacour, 2001; Verhoef *et al.*, 2001, 2002; Hitt and Frei, 2002; Ngobo, 2004; Li *et al.*, 2005; Verhoef and Donkers, 2005; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008; Liang and Chen, 2009

Paper I focuses on research question 1a) with its grounds in financial marketing literature. The theoretical framework of this paper is based on the identification of cross-selling methods and offering structures applied in the provision of comprehensive financial services. Papers II and III concentrate on question 1b), building their theoretical base on the dimensions of the transition paths identified in the service transition literature. Focusing on customer perceptions, Papers I and IV centre on research question 2a) and rely on financial marketing literature focused on service provider usage behaviour. Combining elements from service transition and financial marketing research, Paper IV focuses on question 2b) by investigating the trade-off between the benefits and the costs perceived by SMEs in reference to comprehensive services.

The research design derived from the posed research questions and based on the presented theoretical foundation is described in the following chapter.

3 RESEARCH DESIGN

The aim of this chapter is to show how this research was carried out, to explain why this approach was chosen and to assess the implications of this decision. This chapter presents the research strategy, the case and context selection and the research and data analysis methods.

3.1 Research strategy

In each research situation, there are three interlinked issues that must be considered: the research problems, the research methods and the data (Uusitalo, 1995). The research problem is the starting point (Silverman, 2005, p. 6); after identifying the research problem, it is possible to choose a method that makes it possible to examine the problem, i.e. is appropriate to what one is trying to find out (Punch, 1998, p. 244). In this dissertation, the definition of the research problem depended mainly on the judgement of the researcher and was grounded on careful review and consideration of the existing literature and the limits of knowledge related to the topic. Based on the research problem and questions, the research strategy was formulated.

The various approaches to doing research include theoretical or empirical, qualitative or quantitative, exploratory or explanatory, and descriptive or normative (Gummesson, 2000, pp. 1–6). This research can be characterised as qualitative mixed methods research. Qualitative research relies on interpreting qualitative verbal or visual research material (Uusitalo, 1995, p. 79), whereas quantitative research consists of argumentation that is based on numbers and statistical associations between numbers (Alasuutari, 1999, p. 34). Qualitative research is based on qualitative material such as interviews, observation, texts and audio or video recordings, as well as on qualitative analysis methods such as interpretation and content analysis. Meanwhile, quantitative research is based on quantitative material such as questionnaire data and on quantitative analysis methods such as various statistical tools (Miles and Huberman, 1994, p. 7; Silverman, 2005, pp. 5–11).

Although qualitative and quantitative research are often considered opposites, there is no simple distinction between these two; rather, they can be considered different parts of a continuum (Alasuutari, 1999, p. 32; Silverman, 2005, p. 5). However, the underlying research paradigm differs between these two approaches. Qualitative research is usually related to hermeneutics, which is research that aims to generate an in-depth understanding of a phenomenon that may be new or otherwise hard to structure formally (Gummesson, 2000, pp. 177–8; Olkkonen, 1994, p. 37). Quantitative research is related to positivism, which is typical in the natural sciences and includes characteristics such as reliance only on verified facts and the aim of describing only concrete real-life phenomena, encouraging the researcher to chart the relation between operationally defined variables (Gummesson, 2000, p. 19; Silverman, 2005, p. 9).

The underlying research paradigm of this research is that of hermeneutics. This paradigm was chosen because the dissertation seeks to answer questions that stress the “how” aspects of the research phenomenon and attempts to capture the subjects’ perspectives on the issue. Instead of trying to explain causal relationships, this research uses a more personal interpretative process to understand the questions at hand. These aspects are considered characteristics of research relying on hermeneutics, where scope is sacrificed for the detail found in the precise particulars of matters such as people's understanding and interactions (Denzin and Lincoln, 1994, p. 8; Silverman, 2005, p. 9). Other typical characteristics of the hermeneutic paradigm in this research include a focus on specific cases, application of qualitative data and recognition of the researcher's possible subjectivity (Gummesson, 2000). Qualitative data was considered appropriate because its strengths adhere to the research questions proposed. The richness and holism of qualitative data were perceived to provide an opportunity to understand latent, underlying or non-obvious issues (Miles and Huberman, 1994, p. 10) and to locate people's perceptions, assumptions, prejudgements and presuppositions (van Manen, 1977). Thus, this research can be characterised as a largely descriptive exploratory study (Miles and Huberman, 1994, p. 35).

As for mixed methods, qualitative interview studies were used as a dominant method in addition to case studies, both single and multiple. The application of a preliminary interview study allowed the creation of sufficient pre-understanding of the issue (Gummesson, 2000, pp. 57–81) and formed a solid basis for a more holistic, in-depth investigation through a supplementary interview study and case studies. A case study, defined as an empirical enquiry that investigates a contemporary phenomenon within its real-life context (Yin, 2003), is especially appropriate for exploratory research (McDermott, 1999). Case studies were chosen with regard to the first research question, because they have been recognised as a suitable method for the study of complex, real-life phenomena such as strategic changes or reorganisations (Eisenhardt, 1989; Yin, 2003). They have also been the preferred vehicle for business marketing researchers studying relatively complex interaction patterns (Beverland and Lindgreen, 2010), including research on service transition strategies (e.g. Penttinen and Palmer, 2007; Matthyssens and Vandenbempt, 2010; Windahl and Lakemond, 2010). The approach was considered appropriate because it suited the complex research problem consisting of many interconnected factors.

A supplementary interview study was considered adequate for the second research question, because it allowed access to a relatively large number of customer organisations, through which information redundancy could be achieved. The case studies and interview studies combined allowed a thorough examination of the problem in the specific provider and customer organisations, and enhanced understanding of the phenomenon in the chosen research context. Obtaining an in-depth understanding of the issue was considered essential to achieve the aim of creating new knowledge on the issue. In the following sections, a more thorough description of the case selection, the collection of each data set and the analysis methods used is provided.

3.2 Case and context selection

The empirical context of this research is the financial services industry of Finland. Within the industry context, the focus was on universal banking (banking and investment) and insurance (life and non-life) services. Based on the purpose of the study, b-to-b operations and, more important, SME customer operations were chosen as the units of analysis. Stemming from the research questions, data were collected among both broad-based financial service providers and their SME customers. Table 7 describes the target entities of the research, the number of companies included in the dissertation, the contact methods used in reaching these companies and the criteria used in selecting them.

Table 7. Empirical data sources of the dissertation

	Service providers	**SME customers**
Target entities	Broad-based financial service providers (banking, life insurance, property-casualty insurance)	Micro, small and medium-sized enterprises Versatile industries Different stages in the business cycle
No. of companies	Eight service providers	22 SME customers
Contact method	Research network	Financial institutions National entrepreneur organisation
Selection criteria	Information-oriented selection (Flyvbjerg, 2006) Research access	Relationship with a service provider taking part in the study Research access

On the service provider side, target entities were selected based on information-oriented selection, i.e. companies were selected based on expectations about their information content to maximise utility (Flyvbjerg, 2006). Thus, focus was centred on firms operating in b-to-b markets, seeking providers that are currently either a part of a broad-based financial group, i.e. operating in banking, life insurance and property-casualty business, or that have a selling agreement with a bank/insurance partner, with a possibility of selling comprehensive financial service offerings. Through a research network operating in the financial industry, eight service providers were located and were willing to participate in the study.

On the customer side, participating companies were selected on the basis of having a relationship with one of the financial service providers included in the study. The target SMEs were contacted through the financial service providers and a national entrepreneur organisation. The sampling process ceased when saturation was reached, which was indicated by information redundancy. To increase variation, micro, small and medium-sized enterprises were included in the study, and the final sample included SMEs from different industries and different stages in the business cycle.

3.3 Research methods

This dissertation includes two main research questions. Both questions are empirical, which was regarded as reasonable because a purely theoretical approach was considered unable to provide enough understanding of the research phenomenon. Two types of empirical data and data analysis methods were used to answer the posed research questions. Figure 2 presents the relationship between the questions (1–2) and the empirical material (A–D) utilised to answer these questions.

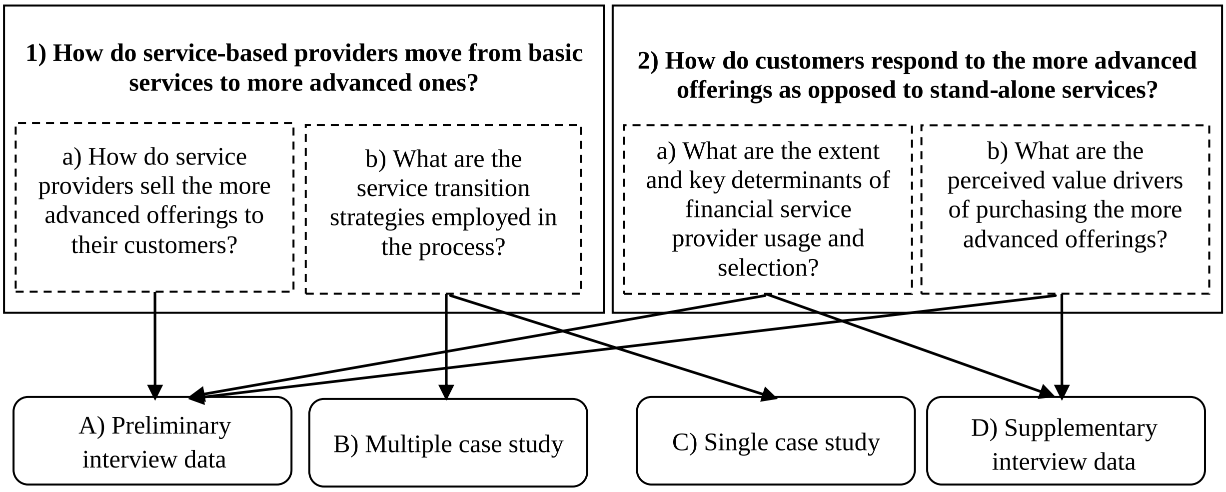

Figure 2. Orientation for the empirical material (A-D) in relation to the research questions

Table 8 summarises information regarding the different empirical material (A–D). Certain data may provide answers to more than one question; likewise, a single question may be answered based on several types of empirical material. The implementation of the research followed the ethical standards of the Department of Industrial Management at the Tampere University of Technology.

Table 8. Summary of the empirical material used (A–D)

	A) Preliminary interview data	B) Multiple case study	C) Single case study	D) Supplementary interview data
Number of units in the data	Eight provider organisations Eight SME customers	Two provider organisations	One provider organisation	22 SME customers
Data source/ gathering methods	Interviews Secondary material (sales material, product descriptions)	Interviews Secondary material (websites, strategy documents)	Interviews Secondary material (sales material, product descriptions)	Interviews
Period	Around 12 months (2010–2011)	Around 13 months (2010–2011)	Around two months (2010)	Around 12 months (2010–2011)
Analysis methods	Content analysis	Content analysis Pattern-matching	Insurance feasibility determination process	Content analysis
Role of the researcher	Empiricist (outside)	Empiricist (outside)	Participant observer (inside)	Empiricist (outside)
Characteristics of the research	Descriptive, qualitative	Descriptive, qualitative	Descriptive, qualitative	Descriptive, qualitative

Altogether, eight service provider organisations were included in the study. All these companies participated in the preliminary interviews (A), and two of the companies took part in the case studies—both of them in the multiple case study (B) and one of them in the single case study (C). As for the customer companies, a total of 22 SMEs participated in the supplementary interview study (D), eight of which participated earlier in the preliminary interview study (A). The empirical material can be characterised as descriptive, qualitative data, consisting mainly of interviews. As for temporal scope, this dissertation followed a cross-sectional design, and data were collected from 2010–2011. The data collection and analysis methods utilised in the empirical examination are described in detail in the next sections.

3.3.1 Data collection and analysis for interview data (A, D)

With regard to the interview studies, preliminary (A) and supplementary (D) interview data were collected with key informants among both providers and SME customers. In data set A, the final sample included eight service providers and eight SME customers. In data set B, another round of interviews was conducted among 22 SME customers, eight of whom were included in study A. On the provider side, key informants were selected on the basis of their having responsibility for the development/implementation of cross-sectoral cross-selling strategies in the SME segment. On the customer side, persons with the authority to select and monitor the company's relationships with the service provider/s were interviewed. Table 9 describes the target firms and interviewees.

Table 9. Target firms and interviewees

	Service providers	**SME customers**
Target companies	– Life insurer (providers 1–2) – Property-casualty insurer (providers 3–5) – Bank (providers 5–8)	– 9 micro companies (A–I) – 9 small companies (J–R) – 4 medium-sized companies (S–V)
No. of interviews	11 (1–2 per company; 1–4 persons each)	25 (1–2 per company; 1–2 persons each)
Interviewees	– Chief executive officer (CEO) / Vice-CEO – Vice-presidents of sales – Business development manager – Business unit managers	– Entrepreneurs – Financial managers – General managers – Managing directors
Interview duration	41–80 minutes (mean = 57)	27–70 minutes (mean = 53)

In the preliminary study, a semi-structured interview protocol composed of two sections was used. In the first part, the interviewees were asked to describe the methods and product structures their organisation employs in cross-selling comprehensive offerings in the SME segment. In the second part, interviewees were asked to describe how their organisation creates customer value through the utilised cross-selling approaches. SME customers were posed the same questions from the perspective of cross-buying and its perceived customer value. In addition to interview data, documents consisting of the providers' sales material and product descriptions were employed to enhance data credibility (Baxter and Jack, 2008).

In the supplementary study, a semi-structured interview protocol composed of three sections was employed. In the first part, the respondents were asked about their company's bank selection and usage behaviour. The second part covered the companies' insurance provider selection and usage behaviour. In the third part, the respondents were requested to describe perceived value drivers of purchasing bank and insurance services from the same provider. The interviewees were allowed to tell their own story of the firm's current ways of operating, and the interviewer prompted them with more detailed questions as needed. To facilitate the process, the interview participants on the customer side were asked to describe the activities between the service provider/s and their company, which allowed the interviewer to probe the different benefit and cost dimensions perceived in the relationship/s. In both data sets, all interviews were conducted face-to-face and were tape-recorded and fully transcribed.

Data analysis was carried out using traditional steps in the analysis of qualitative data (Miles and Huberman, 1994). First, the interview transcripts were reviewed to highlight important issues and patterns in the data. Next, data extracts were gathered in an initial categorisation table related to the structure of the interview protocol and adhering to new themes that emerged in the interviews. Finally, content analysis was used to systematically evaluate the content of the transcripts (Kolbe and Burnett, 1991) and to identify core consistencies and meanings (Patton, 1990). A number of themes were identified by analysing the interviews; they were then coded following the approach suggested by Miles and Huberman (1994). The coding was completed manually by going through the transcripts and marking the units that were connected, i.e. assigning units of meaning to words, phrases, sentences or whole paragraphs within the transcripts that were connected to a specific theme. The themes that emerged from analysing the qualitative responses from the interviews were classified into categories related to the posed research question.

3.3.2 Data collection and analysis for multiple case study (B)

In contrast to data set A, where interviews were focused on a specific division of the service provider group, the aim of the multiple case study was to take into consideration the banking, life insurance and property-casualty insurance units of the groups to gain a more holistic approach to answering the research question. Among the service providers participating in study A, two broad-based financial service groups were identified as purposeful examples of the phenomenon under investigation. Both companies were considered to have a strong strategic orientation towards what the literature describes as the solutions-based approach to comprehensive financial services. Case Alpha (Provider 5 in study A) is a provider of universal banking, life insurance and non-life insurance services, whereas the operations of Case Beta (Provider 1 in study A) include the provision of universal bank and life insurance services and the distribution of non-life insurance from a network partner. To compensate for the scarcity of previous empirical research on this topic, the main data collection method employed involved in-depth interviews (Fontana and Frey, 1994). Table 10 describes the case companies and interviewees.

Table 10. Case companies and interviewees

	Case Alpha	**Case Beta**
Target companies	Bank Life insurance company Non-life insurance company	Bank Life insurance company Non-life insurance partner
No. of interviews	11 interviews (10 persons) – bank: 8 – life insurer: 1 – non-life insurer: 2	9 interviews (8 persons) – bank: 5 – life insurer: 4
Interviewees	CEO of service operations Area managers Development managers Marketing/sales manager SME customer segment manager Account managers	Vice-CEO of insurance operations Area manager Development managers Marketing/sales manager SME customer segment manager Risk manager

Informants among the case companies were selected on the basis of their having responsibility for the development and/or implementation of service transition strategies within the target customer segment. Including informants from different divisions and different hierarchy levels and positions helped not only in understanding the perspectives of both the planners and the practitioners, but also in validating the information generated from different sources. Altogether, 20 interviews were conducted, and additional company data (website, financial information, service strategy documents) were gathered. Through the in-depth study of Alpha and Beta, a rich and full understanding of the context and the underlying dynamics of the phenomenon (Siggelkow, 2007) was obtained. The interviewees were asked to talk about their views and experiences of comprehensive financial services regarding the range of the offering, the customisation and integration. The participants were allowed to express their views and raise new issues freely by asking open-ended questions (Yin, 2003), enabling the interviewer to take advantage of the naturally occurring data. All interviews were held face-to-face in the interviewee's job location and were tape-recorded and fully transcribed.

After data gathering, a within-case analysis was made to become familiar with each case on its own. Data were categorised according to the tentative conceptual framework (Yin, 2003) based on the identified service transition dimensions. Finally, factors that emerged as critical with regard to the perceived customer value of comprehensive financial services were identified. The analysis process followed traditional steps of qualitative data analysis (Miles and Huberman, 1994) applied in relation to data sets A and D. After the within-case analysis, a cross-case analysis was performed using a pattern-matching logic (Beverland and Lindgreen, 2010).

3.3.3 Data collection and analysis for single case study (C)

The case company selected for the single case study was Company Beta from the multiple case study B. This company was chosen for two reasons. First, the company's insurance base was expected to be applicable considering the nature of human capital risks. Second, research access to the company was gained through participant observation. As the hallmark of case research is the use of multiple data sources (Patton, 1990; Yin, 2003), empirical material was collected in the form of interviews and written documents.

The data analysis was completed in the form of the insurance feasibility determination process following the practices of the case company. The starting point of the process is a risk analysis, where the customer is interviewed to identify the most serious risks in his/her company. For the purposes of this paper, the case company was presented with the human capital risks identified in the literature, and the results of the process were reported through participant observation. In the first stage, the identified risks were divided into insurable and uninsurable risks of the case company. In the second stage, sales material (brochures, product descriptions, insurance-specific documentation) of relevant insurance products were investigated to identify the most suitable insurance solution for each insurable risk. The analysis was completed by comparing the insurable risks against the service portfolio of the case company. The insurance solution for each risk was found by screening the risk against all available insurance. This was accomplished by making an exhaustive list of the insurance products and using the product descriptions to validate their usefulness for managing these risks. In the third stage of the process, terms and conditions of the insurance products were studied. These are basically the same for all customers, although the attributes of the insurance are chosen according to the customer's wishes and needs. As a result of the process, a suitable insurance solution was determined for each of the insurable human capital risks.

3.4 Research structure

This dissertation comprises four original research articles in which different perspectives and methods were employed. Figure 3 summarises the relationships between the empirical material, the original articles and the research questions posed in this dissertation. The articles form an entity that enables the author to answer the posed research questions.

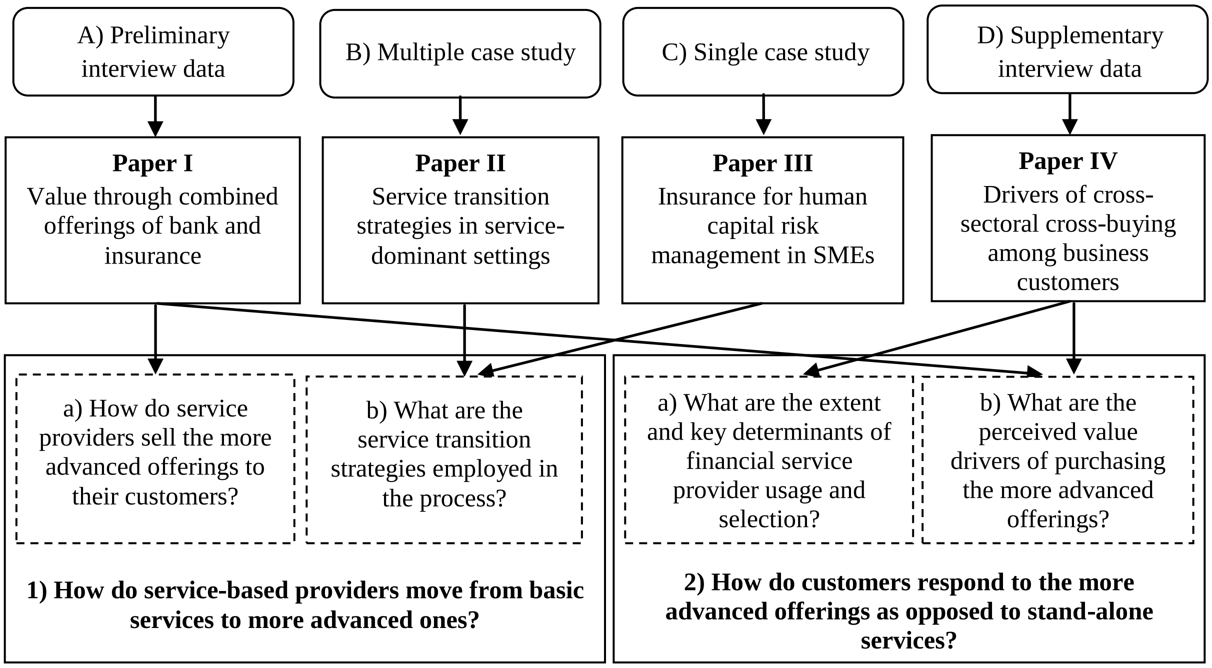

Figure 3. Composition of the original articles

I. Value through combined offerings of bank and insurance

Mäenpää, I. and Voutilainen, R.

International Journal of Bank Marketing, 2011, Vol. 29 No. 7, pp. 535–54.

This paper investigates how service providers sell combined bank and insurance offerings in the b-to-b context, with the aim of creating new knowledge on the creation of customer value through these more advanced offerings. A qualitative study of eight providers, augmented by interviews with eight of their SME customers, forms the empirical basis of the study. The results show that service providers anticipate a shift from separate sales events towards one-stop shopping and from a unilateral provision of non-related products towards a consideration of hybrid products in the SME market. SME customers, who tend to acquire their banking and insurance services as non-related products from separate providers, do not fully support this transition. This result is partly explained by the absence of customer loyalty programs and the non-existent provision of hybrid products in the b-to-b context. The findings imply that financial service providers should develop their one-stop shopping concept in the SME segment by creating a customer loyalty program that would reward customer companies according to the use of multiple products in their total portfolio. Additionally, the possibilities of introducing hybrid products for business customer use should be further investigated. This study is the first to show how business customers perceive the value of cross-buying bank and insurance services, presenting a reminder to managers about the importance of recognising their SME customers' value expectations.

II. Service transition strategies in service-dominant settings

Valtanen, I.

Journal of Financial Services Marketing, Under review.

Intense competition and extensive customer needs are motivating companies to develop so called "solution" offerings also in service industries. Building on service transition strategy literature, this paper outlines the practical activities that broad-based financial service providers take in transitioning toward "all finance" solutions and accentuates the inhibitors that their business customers perceive in this process. The empirical data consists of 40 semi-structured interviews among two service providers and 17 of their small and medium-sized enterprise (SME) customers. The results show that the service transition strategies of service extension and relationship focus are increasingly utilized in the financial industry. However, the integration of various components within a comprehensive bank and insurance offering is still in its early stages, suggesting providers' to rely mainly on a pure component strategy. SME customers, who seem to have taken the role of independent value creators, fail to perceive the benefits of purchasing comprehensive offerings from a single provider. Thereby, they tend to follow price-based purchase behaviour and negotiate their service offering with many different providers. A contribution to the service transition literature is made by studying transition strategies as a process of steps that providers take when moving from basic services to more advanced offerings, and by examining customers' perception of the effectiveness and value outcomes of these more advanced offerings.

III. Insurance for human capital risk management in SMEs

Mäenpää, I. and Voutilainen, R.

VINE: The Journal of Information and Knowledge Management Systems, 2012, Vol. 42 No. 1, pp. 52–66.

This paper addresses the issue of advanced insurance service offerings targeted to solving customer business process–related problems. It aims to analyse how insurance can be used in the management of human capital risks. The issue is highlighted in the SME context. Current knowledge on the issue is presented by examining the literature on human capital risks and their effects on SMEs. The applicability of insurance to human capital risk management is analysed empirically through a qualitative case study of an insurance company operating in Finland. In the results section, the identified human capital risks are divided into insurable and uninsurable risks, and a specific type of insurance is determined for each insurable risk. The empirical examination suggests that the majority of identified risks are insurable, and that pension, accident, health, life, liability and crime insurance are the most useful types of insurance for the management of these risks. The paper creates a basis for the better recognition of human capital risks in SMEs and describes how insurance can be applied as a solution for managing these risks. In addition to considering human capital risks as an entity, this paper contributes to knowledge asset protection research by examining an actual risk management method for human capital risks. To the best of our knowledge, insurance has not been introduced in this context before.

IV. Drivers of cross-sectoral cross-buying behaviour among business customers
Mäenpää, I.
International Journal of Bank Marketing, 2012, Vol. 30 No. 3, pp. 193–217.
This paper examines the extent and key determinants of bank and insurance provider selection and usage by business customers from the SME segment. It aims to increase understanding of the drivers of customers' cross-buying behaviour across these financial service sectors. A qualitative research approach was employed in the study by carrying out semi-structured interviews among 22 SME customers of financial service providers within one country. Content analysis was employed to analyse the data. The empirical findings of the study suggest that the use of multiple banks is the norm among SMEs, whereas insurance is mostly purchased from a single provider. SME customers appear to prefer using separate, independent providers for their banking and insurance services. The absence of customer loyalty programs, unfavourable pricing of the total offering and image conflicts were identified as the main factors limiting the willingness to cross-buy across these financial service sectors. The results imply that, to succeed in cross-selling bank and insurance services in the SME segment, financial service providers should improve their cross-selling concepts by creating customer loyalty programs that would reward customer companies according to the use of multiple products in their total portfolio. This study is the first to describe the customer-perceived drivers of cross-buying bank and insurance services from the same service provider in the b-to-b context.

Two of the articles included in this dissertation were written with a co-author. Table 11 describes the role of the present author in these papers.

Table 11. Role of the present author in the co-authored papers

Paper	Role of the present author
II. Insurance for human capital risk management in SMEs	– Reviewed the literature relevant to the topic – Wrote the conceptual part of the paper – Designed the study together with the co-author – Planned and carried out the interviews together with the co-author – Analysed the results together with the co-author – Wrote the empirical part of the paper together with the co-author – Reviewed the paper
III. Value through combined offerings of bank and insurance	– Reviewed the literature relevant to the topic – Wrote the conceptual part of the paper – Designed the study together with the co-author – Planned and carried out the interviews – Analysed the interview results – Wrote the empirical part of the paper – Reviewed the paper together with the co-author

In both of the articles written with a co-author, the present author was the main author. She took full responsibility for the conceptual part of the articles, coordinated and implemented the data collection and analysis, and led the writing and reviewing of the articles.

3.5 Assessment of the research

Research should fulfil certain criteria to be considered sound. This study was assessed based on two commonly used criteria for assessing the quality of research in terms of the utilised research design: validity and reliability (Gummesson, 2000, p. 185). As it has been suggested that qualitative studies should be judged or evaluated according to different criteria from those used by quantitative researchers (Bryman and Bell, 1997), the additional criterion of trustworthiness was used to assess this qualitative research under the headings of validity and reliability. Trustworthiness consists of four criteria, each of which has an equivalent criterion in quantitative research: credibility (parallels internal validity), transferability (parallels external validity), dependability (parallels reliability) and conformability (parallels objectivity) (Miles and Huberman, 1994, pp. 278–9; Bryman and Bell, 1997, p. 395).

3.5.1 Validity

The first criterion deals with validity; the results produced by research should be verified. At a general level, the validity of research, often referred to as internal validity (Emory, 1985), describes the extent to which the evidence reflects the reality under examination (Gummesson, 2000, p. 185), i.e. whether the researcher is studying the question or phenomenon that he/she is attempting to elucidate (McKinnon, 1988). Hence, the validity of this research means the level at which the phenomenon was studied. The validity can be criticised to some extent, as the phenomenon was examined only from the viewpoint of the activities at the provider-customer relationship level, thereby excluding many other approaches from the research. This specific perspective was chosen mainly because this research consists of several papers written and published individually in recent years. If the research had been a monograph, the perspectives examined would most likely be different. At the same time, the structure of this research can also be considered a strength when evaluating the results; in total, four papers discuss the research phenomenon from different angles through different methods.

Some criticism can be made regarding the research strategy and methods. The research followed a qualitative mixed methods approach based on the hermeneutic paradigm; however, the same phenomenon could have been examined using different data and methods, allowing more informative results on the topic. For example, conducting quantitative research relying on positivism, aiming for larger numbers of context-stripped cases and seeking statistical significance (Miles and Huberman, 1994, p. 27) could have provided useful results, especially in relation to the customer perceptions of the issue. The choice of research methods was mainly affected by theoretical considerations. The scarcity of previous empirical research on this topic in this context and the research questions formulated based on the identified relative gaps in the literature dictated the decision to utilise a qualitative research strategy. The research strategy and qualitative methods applied, including the reasons for choosing them, were discussed in detail in section 3.1.

Validity is considered impaired if the design and/or conduct of the research is such that the researcher is unintentionally studying either more or less than the phenomenon he/she claims to be studying (Gummesson, 2000, p. 91; McKinnon, 1988). There are some issues to consider in relation to this notion when evaluating the validity of the results attained through the chosen methods. The most notable limitation is the cross-sectional design of the study. A longitudinal study would have allowed examining service transition strategies more accurately in the provider organisations. This limitation was of a practical nature; the opportunity for the author to participate in a two-year research project enabled her to gather and analyse data and to write papers, but limited the temporal scope of data collection.

Considering the use of interviews as the main data collection method, there are some factors affecting the quality of the data. The first issue is the selection of respondents, or finding the right person for the interview. On the provider side, this includes the choice of using a primary contact, attained through a research network in the financial services industry, to assist in the selection of appropriate interviewees within the company. Whether or not this choice enabled finding the most appropriate persons in the organisation for the interviews cannot be verified. On the customer side, a conscious choice of using the financial institutions' customer records in contacting SMEs was made. This approach was weakened by the possibility that the contact information of only benevolent customer contacts was provided by the institutions. An attempt was made to minimise this risk by searching SMEs through the membership register of a national entrepreneur organisation. The second issue was that the topics and questions selected for the interviews were based solely on the researcher's judgement. Based on the author's experience, the most relevant aspects of service transition were included in the interviews. As the questions were based on a literature review of extant empirical research in the field, the validity of the questions was considered suitable. The third issue is how well the respondents understood the presented questions. The possibility of this problem was acknowledged and minimised by explaining the questions to the respondents when necessary.

The data collection was completed mainly through interviews in which topics were discussed extensively. The interviews provided an overview of the subject in that specific context, rather than information that could be generalised to all service provider organisations. In terms of validity, a limitation of these interviews is that all the participants, whether providers or SMEs, were volunteers in the research project. The weakness inherent in this approach is that the research may risk including only exemplary instances of the behaviour under investigation. Additionally, it is difficult to determine the typicality or representativeness of the behaviour described in the interviews and the findings generated from them (Mehan, 1979). The pitfall of overreliance on accessible and elite informants is sampling non-representative informants, thereby generalising from non-representative events or activities (Miles and Huberman, 1994, p. 264). Thus, the participants cannot be considered representative of the target population as a whole, but should be seen as a group of organisations that was interested in and had given consideration to the transition towards comprehensive financial services. The results of the interviews, therefore, may not be generalised to apply to all providers operating in the Finnish financial industry or all SME customers of financial institutions in Finland. However, in terms of validity, their interest in the strategies and outcomes of service transition can also be seen as positive, since the interviewees showed readiness to engage in discussions regarding the topic in question and provided authentic information on the issue.

According to the hermeneutic view, the validity of evidence is based on presenting the results and the way in which they have been reached in a manner that allows the correctness of the results to be ascertained (Olkkonen, 1994, p. 54). As the researcher abstracts data from raw materials to produce summarised findings, the original form of the material is lost, making it impossible to entertain alternative interpretations of the same material (Mehan, 1979, p. 15). Therefore, one of the most important characteristics of a successful qualitative study is that it can convince the reader of the validity of the description and analysis of the findings (Bryman and Bell, 1997; Lukka and Kasanen, 1995). Two common responses to this problem, aimed to strengthen the credibility of qualitative findings, are method and data triangulation and respondent validation (Bryman and Bell, 1997, p. 396; Silverman, 2005, p. 212). The means for triangulation are explained in more detail in the following section. As for respondent validation, i.e. presenting the subjects with the tentative results and refining them in light of the subjects' reactions (Bryman and Bell, 1997; Reason and Rowan, 1981), the results of the case studies were presented to representatives of the case companies in an exclusive seminar where the companies had the opportunity to review and confirm the case descriptions. The tentative results of the interviews and case studies were also presented to a wider audience in a public research seminar, where representatives of all interviewed service providers and SME customer organisations were present to review and validate the findings. These means were considered to positively affect the way the reader experiences the validity of the research and to ensure that the description of the results reflects reality as much as possible. This should make it possible for the reader to assess the correctness of the results. In the end, it is the reader who must make the decision regarding research validity.

As qualitative research typically entails an intensive study of a smaller sample, i.e. depth rather than depth, qualitative findings tend to be oriented to contextual uniqueness (Bryman and Bell, 1997). Thus, qualitative researchers are encouraged to produce thick description (Geertz, 1973) to provide the readers with a database for making judgements about the possible transferability of findings to other milieus (Lincoln and Guba, 1985). Taking into account the space considerations of journal articles, attempts were made to improve the thickness of description of the research. The methods of collecting and analysing the qualitative data were described in detail in each original research paper (I, II, III, IV). In addition, the case descriptions of both the conducted case studies were described as carefully as possible in the original publications (papers II and III).

3.5.2 Reliability

The second criterion, reliability, concerns whether the researcher is obtaining data on which he/she can rely (McKinnon, 1988). The reliability of the research refers to the accuracy of the results obtained in the study and whether someone other than the author would have obtained the same results if he/she had carried out the research (Gummesson, 2000, p. 185). This research as a whole contained two different research methods. It is therefore justifiable to discuss the reliability of this research in connection with the various empirical materials.

The reliability of the use of interviews as the main data collection method could be criticised. The interviews were mainly semi-structured interviews where only certain major topics were discussed, so the interviews differed slightly from one organisation to another. Most of the interview questions were open-ended and required the personal interpretation of the respondents. This approach was considered reasonable, because the researcher did not want to lead the respondents too much, but to access the perspective of the person being interviewed (Hannabuss, 1996). However, the chosen approach may not be conducive to the repeatability of fully congruent interviews.

The results of the interviews are closely related to the prevailing situation in both the organisation and society in general. Therefore, the results are context- and time-dependent; repeating these studies at a later point in time might provide somewhat different results. The credibility of the results could also be called into question by the possibility that the respondents have given a distorted and more favourable version of service transition in their organisations. The same claim could also be made about the customer interviews. However, such criticisms are probably groundless, as the participation of all the organisations and respondents in the research project was voluntary, and the respondents were motivated to share their perceptions of the issue.

Even though the sample size does not have the same importance in qualitative research as it does in quantitative research (Gummesson, 2000, p. 89), this is an issue that should also be discussed. It could be questioned whether the size of the sample is adequate to answer a specific research question. Regarding the first research question, the preliminary interview study included eight service providers; this can be considered to provide a sufficient picture of the phenomenon, as the sample included all major provider groups in the Finnish financial markets. As for the case studies, it could be questioned whether one or two cases provided enough information to produce reliable results; the results may suffer from random error if too few cases are used. Because case numbers are typically small, a few additional cases may affect the quality of the results (Eisenhardt and Graebner, 2007). In this research, the results regarding the case organisations were mostly similar, suggesting that the research is at least to some extent reliable. It is unclear whether an additional case would have provided critical new information. On the customer side, a total of 22 SMEs were included in the study. The sampling process ceased when saturation was reached, which was indicated by information redundancy. Therefore, the SME customer sample was considered sufficient in answering the second research question.

The reliability of the research can be increased by means of triangulation. Triangulation can be carried out in terms of data sources, methods, investigators and theories (Denzin, 1978; Yin, 2003). For example, using two or more methods to examine the same phenomenon increases reliability by eliminating possible bias in one method (Gummesson, 2000). To some extent, the reliability of the results regarding the first research question were assessed by comparing the results of the preliminary interviews with those of the case studies. In assessing the findings related to the second research question, the results obtained from customers were compared with those obtained from providers, and vice versa. The correspondence between the results of these two methods and two viewpoints supports the reliability of the results. By using multiple as well as different sources of information, checking interpretations with respondents and discussing the findings with academic colleagues as well as industry partners, the study attempted to enhance data credibility (Baxter and Jack, 2008) and to fulfil triangulation (Piekkari *et al.*, 2010) and construct validity requirements (Beverland and Lindgreen, 2010) in qualitative research. The reliability of the findings could have been further improved by using different data collection methods such as participant observation and by utilising several researchers, which unfortunately could not have been done due to access- and resource-related reasons.

Based on the above reasoning, the reliability of the research as a whole can be considered fairly good. To further increase the reliability of the data, the following steps were consciously taken with regard to the original research articles: the general methods and procedures related to data collection were described explicitly and in detail; the sequence in which data were collected, processed, condensed and displayed was described as transparently as possible; the conclusions drawn in the original papers were explicitly linked with displayed interview data excerpts; and the study data were retained and available for reanalysis by others in the form of tape-recorded and fully transcribed interview records (Miles and Huberman, 1994; Silverman, 2006). As for data excerpts, detailed data presentations that make minimal inferences are considered preferable to researchers' presentation of their own high-inference summaries of the data (Silverman, 2005, p. 221). This viewpoint can be considered to decrease the reliability of this study, as the opportunities to provide the reader with long data extracts, such as the question preceding a respondent's comments and the interviewer's continuers (Rapley, 2004), were limited in the original publications due to strict space limitations.

Lincoln and Guba (1985) propose the idea of dependability in qualitative research as a counterpart to reliability in quantitative research. They suggest that, to establish the merit of research, the research should adopt an auditing approach. This entails keeping complete records of all phases of the research project in an accessible manner and allowing peers to act as auditors to establish the extent to which proper research procedures have been followed. Partly due to the problems associated with auditing (qualitative research frequently generates extremely large datasets), auditing has not become a popular approach to enhancing the dependability of qualitative research (Bryman and Bell, 1997). In this research, auditing was employed in the form of requesting feedback from peers taking part in the research project and from the supervisors of this dissertation in all phases of the research project. Additionally, earlier versions of the original articles included in this dissertation were presented to colleagues in international conferences, and each of the original articles was submitted to a double blind review in the journal publication process.

Despite the efforts to improve the reliability of the dissertation, the results of this research are characterised by the typical limitation of most qualitative studies: the interpretation of the data is highly dependent on the researcher's personal judgement. Therefore, the criterion of conformability is concerned with ensuring that, although complete objectivity is not possible in qualitative research, the researcher is shown to have acted in a good faith. It should be apparent that he/she has not overtly allowed personal values or theoretical inclinations to sway the conduct of the research and the findings derived from it (Bryman and Bell, 1997, p. 398). To minimise subjectivity in data collection, data analysis and conclusion drawing, the researcher attempted to remain as explicit and self-aware as possible regarding personal assumptions, values and biases, and attempted to think conceptually or to translate sentimental or interpersonal thoughts into more theoretical ones (Miles and Huberman, 1994).

To further strengthen the reliability of the dissertation, it should be noted that the contribution of this research rests on four papers published (or under review) in international journals. Hence, each paper has been peer-reviewed, which attests to their high quality. This, in turn, reflects the reliability of the results.

4 RESULTS

This chapter summarises the results of the original articles with respect to the research questions. The results presented in this chapter concentrate on those parts of the articles that aim to answer the questions posed by the thesis. Additional information is found in the original articles.

4.1 Transition from basic services to more advanced ones

The first research question on service providers' transition from basic services to more advanced ones is examined in the original articles as follows: the question of how service providers sell the more advanced offerings to their customers (1a) is answered in Paper I, and the question of what service transition strategies are employed in the process (1b) is examined in Papers II and III.

4.1.1 Selling the more advanced offerings to SME customers

Paper I, "Value through combined offerings of bank and insurance", examined how broad-based financial service providers sell combined offerings of bank and insurance services to SME customers. Based on the data collected through a qualitative interview study among eight service providers, the sales of combined offerings in the SME customer segment are carried out through three main approaches: selling non-related products through separate sales events (Class 1), selling non-related products through one-stop shopping (Class 2) and selling hybrid products through one-stop shopping (Class 4). No evidence on selling hybrid products through separate sales events (Class 3) was discovered in the study. Figure 4 presents the service providers' (1–8) positions in the combined offering classification framework.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	1, 2, 3, 5, 6, 8	1, 3, 4, 5, 6, 7, 8
	Hybrid products	–	1, 7

Figure 4. Current positions of providers (1–8) in the combined offering classification framework

The cross-selling methods of separate sales events and one-stop shopping are employed quite evenly among the providers: the former is more frequently used in the cross-selling between banks and property-casualty insurers, and the latter is seen to fit better in the cross-selling of banks' and life insurers' services. The size of the SME was identified as the key influencing factor in the choice of sales method. At the moment, combined offerings are mainly structured from independent, non-related products. Except for the combination of a loan and CPI, hybrid products are not widely offered to SME customers at the moment.

The providers were also asked about the intended cross-selling strategies in future, illustrated in Figure 5. Based on the data, two distinct transitions are anticipated in the SME segment.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	3, 6, 8	1, 2, 3, 4, 5, 6, 7, 8
	Hybrid products	–	1, 2, 4, 5, 7

Figure 5. Future cross-selling strategies of the providers (1–8)

The comparison of Figures 4 and 5 shows that service providers are evidently moving from separate sales events towards a sole focus on one-stop shopping. Although the providers indicated the continuing dominance of non-related products, their interest in hybrid products is increasing. The combinations of 1) investment and investment protection insurance and 2) leasing financing for a motor vehicle and motor vehicle insurance were mentioned as promising future examples of hybrid products for SME customers. However, the interviewees conceded that although considerable prospects may be embedded in hybrid products in the SME segment, none of the providers have thoroughly investigated the issue.

4.1.2 Service transition strategies employed in the process

Paper II, "Service transition strategies in service-dominant settings", investigated the service transition strategies employed by financial service providers by conducting a multiple case study with two of the providers interviewed in the first paper: Provider 5 (in this paper, Alpha) and Provider 1 (in this paper, Beta). The key findings related to the dimensions of service transition strategies in the case companies are summarised in Table 12.

Range of the offering

Both case companies have considerably invested in extending the range of the total offering provided to customers by increasing cooperation between their core divisions. In doing so, the providers are moving from separate sales events towards a sole focus on one-stop shopping. This transition principally represents sensitivity in considering SMEs' financial service needs as an entity. Instead of focusing on a limited set of customer needs, the goal of the transition is to map all customers' financial service–related requirements congruently and to provide the customer with a comprehensive offering to fulfil these needs.

Table 12. Service transition dimensions employed by the case companies

Dimension	Specification	Alpha	Beta
Range of the offering	Core business-related services	– Banking services – Non-life insurance	– Banking services – Life insurance
	Extending the range to unrelated services	– Bank customers are targeted with life and non-life insurance – Non-life insurance customers are targeted with banking services and life insurance – New customers are targeted with comprehensive financial services	– Bank customers are targeted with life insurance – Bank customers are targeted with non-life insurance of a network partner – New customers are targeted with comprehensive financial services
Relational focus and customisation	Relational focus	– Customer approach is based on customer profitability – Account manager is responsible for the sales of all service lines; support from experts is utilised – Yearly "360 degree" customer consultations are emphasised – Strong focus on building long-term relationships	– All SME customers are approached equally – Account manager is responsible for the sales of all service lines; support from experts is utilised – Yearly "360 degree" customer consultations are emphasised – Strong focus on building long-term relationships
	Customisation	– Customisation is provided for profitable customers	– Case-specific customisation is possible
Integration	Separate services	– Services of the different divisions are provided mainly as separate services	– Services of the different divisions are provided mainly as separate services
	Integrated services*	– Bank and life insurance: bank loan combined with credit protection insurance (CPI) – Bank and non-life insurance: vehicle financing combined with vehicle insurance, loan for real estate combined with real estate insurance	– Bank and life insurance: bank loan combined with CPI
	Process-centred offerings	– Business life cycle services: start-up, profitable growth, internationalisation, acquisitions, risk management – Business support services: consultation, networking, human resource management service (reward and commit, personnel-related risk management)	– Business life cycle services: starting a business, established business, succession planning – Business support services: consultation, networking, human resource management service (protect, reward and motivate, commit, recruit, adjust)

Notes: * The former services can be purchased without the latter, but the latter services cannot be purchased without the former, e.g. a bank loan and CPI can be purchased jointly, or the loan can be purchased first and CPI can be added to the loan later; however, CPI cannot exist without a bank loan.

Relational focus and customisation

By focusing on customer needs as an entity, the account manager's role expands to the provision of all services within the financial group, thereby becoming solely accountable for the total customer relationship with the financial group. The ultimate goal of this approach is creating long-term customer relationships and considering these relationships as continuous processes. Even as the providers are attempting to change the nature of their customer relations from transactional to relational, customisation is not included in this transition. In principle, all customers are presented with the same overall service portfolio from which services are picked based on identified customer needs. To maintain cost efficiency, both case companies emphasised that the comprehensive offering should be as standardised as possible.

Integration

The integration of components included in the offering still appears to be in its early stages in the financial industry. The comprehensive offerings currently provided to customers are mainly structured from independent, often non-related services that are packaged together. Services of different divisions are provided mainly as non-integrated, separate components. Even though some examples of service-level integration did emerge in the interviews, as indicated in Table 12, this is not considered a focus area in the SME segment. Nonetheless, significant efforts towards process-centred offerings appeared in the findings. For example, SMEs are provided with services designed for performance optimisation in the different stages of the SMEs' life cycle. Additionally, providers are focusing on business support services such as consultation and knowledge-intensive service, and they emphasise the development of offerings targeted for specific business-related problems of customers.

Process-centred offerings

As the second article revealed the consistent efforts of the insurance divisions of Alpha and Beta in targeting offerings for specific customer business process–related problems such as problems related to human resource management, this issue was further investigated in Paper III, "Insurance for human capital risk management in SMEs". Building on the intellectual capital literature, this paper investigated insurance as a potential solution for human capital risk management in SMEs through a single case study on Company Beta of Paper II. Several types of insurance can be applied to the management of human capital risks in companies. The risk and the risk-specific insurance are presented in Table 13.

Table 13. Summary of the risk-specific insurance for the insurable human capital risks

Human capital risk	Type of insurance
Turnover of employees Loss of competence/know-how	Pension insurance Accident insurance Health insurance Life insurance
Limitation of competence	Pension insurance
Inexperienced top management	Liability insurance Pension insurance
Offences committed by employees against the company	Crime insurance
Attitudes towards expatriate assignments	Pension insurance Health insurance

The results suggest that the combination of pension, accident, health, life, liability and crime insurance provides potential solutions for the management of human capital risks in SMEs. The rationale behind these types of insurance is twofold: some of the insurance function as pre-emptive risk management tools and incentives for a desired behaviour, and others compensate policyholders in the occurrence of a pre-specified adverse event. Interestingly, instead of marketing their offering based on a product-centric viewpoint, the case company takes a customer-focused view of identifying the customer company's business process–related problems and examining how the insurance offering may solve those problems.

4.2 Customers' responses towards the more advanced offerings

The second research question on customer responses regarding the transition from stand-alone services to more advanced offerings is examined in the original research articles as follows: the extent and the key determinants of service provider usage and selection (question 2a) and the perceived value drivers of purchasing the more advanced offering (question 2b) are both examined in the first and fourth research papers.

4.2.1 The extent and the key determinants of service provider usage and selection

The extent of financial service provider usage was preliminarily analysed in Paper I, "Value through combined offerings of bank and insurance", through interviews with eight SMEs. The positions of these SME customers (A, C, E, G, J, K, R and T in this summary section) in the combined offering classification framework are presented in Figure 6.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	A, C, E, G, J, K, R, T	C, G, R
	Hybrid products	–	G

Figure 6. Current positions of the SMEs (A, C, E, G, J, K, R and T) in the combined offerings classification framework

The provider views presented in section 4.1.1 were also somewhat visible among the interviewed SME customers. The majority of SMEs prefer purchasing their banking and insurance services through separate sales events from separate providers. SME customers' one-stop shopping experiences are mainly related to buying a life insurer's services through their company's main bank. In addition, two of the SMEs covered all their financial service needs for both banking and insurance through a single provider by employing "comprehensive" financial solutions. Given the nearly non-existent provision of hybrid products, most SMEs in the sample have no experiences with hybrid products.

As for future cross-buying intentions, a summary of the SME customer preferences is presented in Figure 7. Compared to the provider side, the service transitions among providers described in section 4.1.1 are not as visible among the SME customers. As most SMEs lean strongly towards separate sales events in the future, their interest in one-stop shopping can be described as conditional. The data indicates that SMEs' future preferences are fixed on non-related products. Opportunities to cross-sell hybrid products to SMEs may however exist depending on the content of the products.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	C, E, G, J, K, R, T	A, C, E, G, R
	Hybrid products	–	G, R

Figure 7. Future cross-buying preferences of the SMEs (A, C, E, G, J, K, R and T)

To gain more insight into customers' cross-buying behaviour, research question 2a was further examined in Paper IV, "Drivers of cross-sectoral cross-buying among business customers". A broader set of supplementary in-depth interviews was conducted among 22 SME customers (A–V), eight of which (A, C, E, G, J, K, R and T) were preliminarily interviewed in Paper I. Table 14 summarises the results regarding the extent of financial service provider usage among SME customers.

Table 14. Financial service provider usage behaviour among SME customers

Information on bank usage	
Single bank (%)	23% (5 companies)
Two or more banks (%)	77% (17 companies)
Average time with main bank (years)	15.5 (SD = 14.5 years)
% of firms that have changed banks in the last three years	27% (6 companies)
Information on insurance provider usage	
Single insurance provider (%)	91% (20 companies)
Two or more insurers (%)	9% (2 companies)
Average time with main insurance company (years)	9.3 (SD = 10.9 years)
% of firms that have changed insurers in the last three years	45% (10 companies)
Cross-buying of banking and insurance services	
% of firms with independent bank and insurance service providers	68% (15 companies)
% of firms acquiring life insurance through their main bank	18% (4 companies)
% of firms acquiring all financial services from a single provider	14% (3 companies)

The results reveal a notable difference in SMEs' bank and insurance usage behaviour. The use of multiple banks appears to be the norm among SMEs, whereas insurance is mostly purchased from one provider. However, compared to banking, the insurance sector is characterised by notably high levels of switching. In terms of cross-buying of bank and insurance services from the same provider, the preference towards using separate providers for these different types of financial services is somewhat a norm among SMEs. However, the results indicate some signs of growing interest towards a willingness to cross-buy services across these sectors.

The key determinants of the selection and retention of their main financial service provider/s are illustrated in Table 15. Even though the key factors based on which SMEs select a bank and an insurance provider bear a clear resemblance to each other, the relative importance of these factors, determined based on the frequency of occurrence during the interviews, appears to vary to some extent between the sectors.

Table 15. The key determinants of financial service provider selection among SMEs

Bank selection	
Personal relationship	"When you have a personal relationship with the account manager, you do not need to go through the same things over and over again; they know their customer, they know us." (Company L) "I value having a person in the bank whom I know and with whom I can be straightforward. The relationship should be profound and based on trust." (Company M)
Customer orientation	"It is important to have a person in the bank who understands our operations and what we do here." (Company O) "What I really like about our main bank is that they really consider our business needs and what products would be beneficial for us." (Company S)
Cost of financing	"Cost of financing is a considerable factor. We are talking about substantial loans for a small company; thus, the pricing terms are truly significant for us." (Company L)
Efficiency in daily operations	"All service needs, especially financing-related questions, should be processed in a timely manner." (Company S)
Quality of electronic services	"Personally, I have high expectations of the bank's online and mobile banking services in terms of availability, usability and functionality." (Company B)
Insurance provider selection	
Competitive prices	"As the content of the offering was practically identical between the competitors, the thing that sealed the deal was the overall price." (Company H)
Content of the insurance coverage	"As we are not professionals in insurance, we expect our insurer to provide the required information to us, so that we are equipped to make the right decisions. We need to be able to trust that our insurance coverage is as it should be." (Company R)
Personal relationship	"I appreciate a personal, interactive relationship. It's important that the account manager brings up significant new services we may not have recognised are out there, and identifies possible problem areas that emerge as our business grows." (Company R)
Availability of account manager	"If I have some questions to ask, I expect to receive an answer on a timely basis. If the account manager is not available, there should be a named substitute." (Company J)
Efficiency of claim handling	"Regarding insurance, it is crucial that the claim handling process is managed in a fast and justified manner." (Company L)

In bank selection, personal relationships and customer orientation were clearly valued over the cost of financing. In contrast, competitive prices and the content of insurance coverage were identified as the key determinants in the choice of an insurance company.

4.2.2 The value drivers of purchasing the more advanced offerings

To further explain the results illustrated in the previous chapter, Paper I ("Value through combined offerings of bank and insurance") and Paper IV ("Drivers of cross-sectoral cross-buying among business customers") investigated the customer value drivers of purchasing the more advanced offerings as opposed to buying traditional stand-alone services.

The value drivers were classified into five groups based on the source of value: the service provider, the relationship, the service, the account manager and the offering. Summarising the identified value drivers, Table 16 illustrates how SME customers perceive the benefits and costs related to cross-buying banking and insurance services from the same financial service provider. Only one-third of all the identified value drivers pertained to perceived benefits of cross-buying, and nearly 75 per cent of the drivers were related to perceived costs, i.e. factors limiting the SMEs' willingness to engage in cross-buying of banking and insurance services from the same provider.

Table 16. Value drivers of cross-sectoral cross-buying behaviour

Source of value	Value dimensions	
	Benefits	**Costs**
Financial service provider	– The financial service provider is ▪ international (operations, network) ▪ familiar with the customer's industry ▪ customer-oriented ▪ of good reputation	– Image conflicts ▪ single financial service provider is unable to fulfil all service needs ▪ best expertise is gained through specialised providers ▪ combining different financial service sectors is unnecessary
Relationship	– Strong customer negotiation power – Efficient information transfer – High trust and partnership	– Non-existent customer loyalty programs ▪ total customership is not realised in practice – Dependence on a single provider – Weak customer negotiation power – Loss of competitive settings – Conflicts of interest between the bank and insurance sectors
Service	– Time and effort savings – All service needs are considered an entity – All available service options are comparable simultaneously	– Exhausting customer negotiation processes ▪ separate negotiation processes for bank and insurance services are more efficient
Account manager	– One joint-account manager ▪ one point of contact ▪ acts as a link to product experts – Mutual contacts are provided for all financial service needs	– One joint-account manager is not feasible ▪ direct contacts to product experts are required anyway – Weak communication between the bank and insurance sector representatives
Offering	– Competitive pricing of the total offering – Comprehensive content of the total offering ▪ no overlaps between the products ▪ blind spots are minimised – Consideration of customer needs ▪ product customisation/tailoring ▪ development of new products based on customer-specific needs – Switching part/s of the total offering to a competing provider is possible	– Unfavourable pricing of the total offering – Non-transparent offering packages ▪ individual product details are unclear ▪ comparison between providers is difficult ▪ excess/unnecessary services are included in the offering packages – High switching costs ▪ switching costs limit the cross-buying possibilities

The benefits related to the service provider included general features expected from a broad-based financial service provider by a business customer. The majority of drivers that were considered costs by the interviewees were related to perceived image conflicts of a bank providing insurance. Serious concerns on a single financial service provider's ability to fulfil all the business customer's service needs were raised by many interviewees. As for the relationship with the provider, the most notable finding is undoubtedly related to the service providers' questionable ability to realise total customership benefits in the SME market. The interviewed customers consistently emphasised the importance of receiving benefits from the use of a single provider and indicated that customer loyalty programs, practically non-existent among business customers at the moment, should be developed to make cross-buying interesting from the SME perspective.

Regarding service as a source of value, the time and effort savings from using a single provider for all the company's financial service needs were emphasised by seven of the interviewees. The account manager–related value drivers were closely linked to the usefulness of having only one point of contact for all the company's financial service needs. However, some SMEs perceived it unlikely to find a person who would be capable of handling both the banking and insurance services required by these SMEs. Regarding the offering-related value drivers, the formation of a comprehensive total offering fulfilling all customers' financial service needs was perceived as valuable by eight of the interviewees. In line with this, considering customer needs was perceived highly important by the SMEs.

5 DISCUSSION AND CONCLUSIONS

This chapter concludes this dissertation by discussing the main findings, outlining the research contribution, assessing the research limitations and presenting suggestions for further research.

5.1 Discussion

This discussion section compares and analyses the findings presented in the previous chapter with respect to the research questions and the theoretical foundation of this dissertation.

5.1.1 Transition from basic services to more advanced offerings

The first research question posed was "How do service-based providers move from basic services to more advanced ones?" Building on financial marketing research, the focus was first directed to exploring how service providers sell the more advanced offerings in the SME market (question 1a). The results anticipated a clear transition towards selling comprehensive financial services of bank and insurance to SMEs through one-stop shopping. Although service providers are evidently focusing on the integration of their sales approaches, striving towards integration at the service level was less evident in the findings. While the providers indicated some interest in the provision of integrated services in the SME segment in the future, the findings show that the transition towards actual service integration is still in its early stages.

To investigate the issue further, attention was turned to analysing the service transition strategies employed by financial service providers (question 1b). Existing research on service transition suggests that firms follow an initially relationship-based or initially process-based transition path. Regarding these paths, three service transition dimensions were identified: the range of the offering, relational focus and customisation, and integration. These dimensions were analysed empirically through case studies of two providers to see whether and to what extent they are applied in the financial industry. The first distinctive finding is that broad-based providers are increasingly attempting to adopt certain elements of these identified transition dimensions. Given the information-oriented sampling of the cases, this was to be expected.

Regarding the first transition dimension, i.e. the range of the offering, the findings revealed a distinct transition towards an integrated sales approach in the provision of financial services. In their attempt to provide SME customers with comprehensive banking and insurance services, providers are evidently moving from separate sales events towards an increasing focus on one-stop shopping. This transition was first and foremost justified with the aim of changing the focus of the offering from stand-alone services towards the comprehensive financial service needs of the SME customer. The transition has resulted in changes in the range of the offering; instead of providing services related only to the core business (banking/insurance), the offering provided to a customer is extended to unrelated services (insurance/banking).

The findings support the utilisation of service extension in the financial industry. In essence, this transition bears a resemblance to Penttinen and Palmer's (2007) transition from a less complete to a more complete offering, where the attributes of bundling and service extension in meeting customer needs are considered the distinguishing factors in the transition. In the b-to-b literature, bundling is often used to create full-service offerings (Stremersch *et al.*, 2001) to provide customers a single point of contact (Cristol and Sealey, 1996). This intention is clearly visible in the case companies. Both Alpha and Beta provide a product portfolio that can fulfil all business customers' financial service needs, and both promote a "total solution" approach in their marketing efforts, evidently aiming to reduce the number of competing providers used by their customers. Both firms employ service extension and provide their customers with services unrelated to their core competence. The main difference between these findings and those of Penttinen and Palmer (2007) is that, based on the results of this research, broad-based financial service providers are not fully succeeding in this attempt.

Changes in the range of the offering reflect the move from mainly product-based offerings, where services are considered merely add-ons to products, to mainly service-based offerings, where the offering is considered mainly a service (Oliva and Kallenberg, 2003; Matthyssens and Vandenbempt, 2010). In this sense, service transition is more concrete among industrial companies, where the firm's portfolio clearly becomes different; the focus shifts from manufactured products to service-based offerings. In service sectors, this change is somewhat different, as the core operations are not based on tangible goods that could be augmented with services. Despite this difference, the findings imply that service providers are attempting to increase the range of the offering not only through service extension, but also through paying attention to what could be characterised as service, such as proactive customer need assessment meetings, consultancy, and life-cycle and operational service. However, the results imply that the nature of the comprehensive offerings of bank and insurance services is still mainly based on basic services and that added customer value through these new service types is not yet fully attained. The aspect of perceived customer value is considered further in the following section.

The second transition dimension analysed was that of relational focus and customisation. Regarding relational focus, the transition from transactional to relational customer interaction was clearly depicted in the findings. As for changes in sales methods, the role of the account manager was considered to transform from focusing on the services of a specific financial division towards providing the customer with a seamless service related to the comprehensive offering. By focusing on forging stronger customer relationships, the account manager was perceived to better understand the customer's operating situation and therefore better comprehend and recognise evident as well as latent service needs. The relational transition observed in the findings is partially in line with the relational path to service transition discussed by Oliva and Kallenberg (2003) and Penttinen and Palmer (2007). Penttinen and Palmer (2007) used the concepts of information exchange, operational linkages, legal bonds, cooperative norms and relation-specific adaptations of Cannon and Perreault (1999) to operationalise the concept of relational path to service transition. Evidence of enhanced information exchange and legal bonds articulating the parties' responsibilities emerged in this study.

Even as a growing relational focus was depicted in the results, only weak signs of a transition from a standardised to a more customised approach were observed in the financial sector. Therefore, in contrast to the product-focused customisation path by Matthyssens and Vandenbempt (2010), customisation per se was not perceived to be of high importance by the case companies. Rather, the findings are in keeping with the notion of customised standardisation (Nordin and Kowalkowski, 2010), in which the final offering is assembled from a predetermined set of standard components. This observation is in line with Windahl and Lakemond's (2010) notion that financial service providers are in the mass-services business where customisation still plays a minor role. The absence of customisation can be partially explained by the industry context and may also be due to the target customer segment. In the SME segment, providers clearly aim for cost effectiveness through standardisation rather than fulfil specific customer needs through customisation.

The third dimension investigated was the degree of integration of the elements included in the offering. Based on the data, the strategy of pure integration is yet to be achieved in the financial services industry. Some signs of service-level integration were identifiable in the results, and some indications of growing interest in "hybrid services" emerged in the findings. However, as possible hybrid services for SME customers were planned to be simply transferred from the service portfolio designed for retail customers, consideration of SME customers' actual service needs regarding these integrated services may be questioned. Regardless of these notions of integrated services identified in the results, similar to the findings of Adams and Yellen (1976) and Stremersch and Tellis (2002), the main integration strategy depicted by the findings was that of pure component strategy. The weakness of this strategy is the low degree of integration of the components in the offering; this means that customers can disaggregate the offering and source each component separately (Johansson *et al.*, 2003).

Stremersch and Tellis (2002) note that, in the absence of integration, the bundling itself does not create added value for consumers; thus, a discount must be offered to motivate customers to buy the bundle. This is a notion clearly voiced by the interviewed SMEs; as the comprehensive offering was not perceived to create added value for customers, the most important consideration was price. The findings reveal that SMEs perceive purchasing services from separate providers to be more beneficial for them as compared to acquiring comprehensive financial services from a single provider. This was rationalised based on the perception that SMEs struggled to identify concrete value or actual customer benefits from comprehensive financial services.

Additionally, SMEs appear to perceive competing providers' offerings as basically identical content-wise; instead of purchasing a comprehensive offering from a single provider, SMEs tend to acquire smaller entities from competing providers with the intention of seeking beneficial pricing. This is in keeping with the observation by Sharma and Iyer (2011) that solutions are in fact in the eye of the beholder; if customers can de-bundle offerings, then these offerings are not true solutions. In this case, purchasing individual parts of the offering separately from different providers seems to be more cost effective, or in their terms, more valuable, for SME customers than utilising what the service providers market as comprehensive financial solutions. This suggests that provider efforts to increase the range of the offering and change customer relations from transactional to relational are yet to achieve perceivable differentiation from the viewpoint of customers, leading customers to rely solely on cost leadership.

All in all, the results reveal that service providers combine several elements related to what the literature describes as relational and process-centred transition paths in the quest for service transition. However, while studies among manufacturers show that companies evidently combine the relational and process-based service addition strategies to reach the ultimate positions of operational services (Oliva and Kallenberg, 2003), integrated solutions (Penttinen and Palmer, 2007), system integrator (Matthyssens and Vandenbempt, 2008) or value partner (Matthyssens and Vandenbempt, 2010), evidence of reaching these more advanced positions is missing from the findings of this study. This may be attributed to the interpretation that, although both case firms embrace the idea of being solution providers in their marketing communications, the actual service transition has not yet reached the ultimate service/solution position.

The difficulty of becoming a solution provider has been repeatedly emphasised in the literature. For example, Sharma and Iyer (2011) note that, often, the solutions observed among practitioners are not what theory would suggest as "true" solutions, but would describe as bundled products. Previous research has also emphasised that instead of understanding the new service-centred view attempted with service transition, solutions may be considered a means to sell more products, and thus prevent true solution offerings from taking form (Windahl and Lakemond, 2010). Based on this study, service providers consider comprehensive offerings mainly as an attempt to cross-sell new services to existing customers, rather than a new means to solve customer problems or make life better or easier for customers—factors explained as the main outcomes of solutions (Nordin and Kowalkowski, 2010).

5.1.2 Customer perceptions of the more advanced offerings

The second research question posed was "How do customers respond to the more advanced offerings as opposed to stand-alone services?" In answering this question, focus was first directed to the extent and key determinants of financial service provider usage and selection (question 2a). First, the extent of service provider usage among SMEs was explicated. Even as the results regarding research question 1a) revealed an evident move towards one-stop shopping among providers, the results regarding research question 2a) revealed SMEs as reserved concerning this transition. Instead of purchasing comprehensive services from a single provider, SMEs seem to prefer using multiple providers for their versatile financial service needs.

In relation to banking services, in contrast to Trayler *et al.* (2000), the results of this study considerably resemble those of Lam and Burton (2005, 2006) by revealing split banking as a norm in the Finnish SME customer segment. Mirroring the results of Lam and Burton (2005, 2006) from the banking sector, the results of this study imply that obtaining a better negotiation position is an important determinant of using multiple banks. The results also identify competitive loan terms and the bank's willingness to accommodate credit needs as contributors to the smaller business customers' relatively high bank switching behaviour. Given the impact of these factors on SMEs' business operations and profitability, and taking into account that, in general, small firms are comparatively less powerful and do not have the same ability to shop for credit services as larger companies (Zineldin, 1995), the relevance of these attributes is not surprising in the current economic situation. In addition to confirming the results of Lam and Burton (2005, 2006) as generalisable to other cultural contexts, this study extends their research to the context of insurance services. The results collected in relation to insurance services show that, contrary to banking, insurance is mostly purchased from a single provider among SMEs. This finding gives further ground to the findings from the provider side regarding the potential of providing SMEs with comprehensive insurance offerings aimed at customer's business processes.

The key determinants of selecting a service provider among SMEs were also investigated. Personal relationships, customer orientation and the cost of financing were identified as key to bank selection. The results regarding bank selection and retention provide further recognition of the findings obtained from previous studies (e.g. Trayler *et al.*, 2000; Lam and Burton, 2005, 2006). However, some differences were also identified. For instance, in their findings, both Trayler *et al.* (2000) and Lam and Burton (2005) highlighted convenient branch location as an important factor in bank selection. Deviating from these results, the findings of this study indicate the quality of the bank's electronic services as an important factor for SMEs. This interesting difference may be attributed to the ongoing development of distribution channels in the financial industry in the country of choice. In Finland, banks and insurance companies are strongly moving towards more effective utilisation of electronic channels. Instead of traditional branch office visits, customers in both retail and business segments are strongly encouraged to use different kinds of electronic and mobile services to manage their financial issues more effectively. In addition to these differences, a contribution to earlier studies was made by revealing that competitive prices, the content of the overall insurance coverage and a personal relationship with the service provider are the key determinants in insurance provider selection.

After gaining insight into service provider usage and selection, these results were further explained by investigating the customer-perceived value drivers of purchasing comprehensive offerings as opposed to basic services (question 2b). This question was answered by identifying customer-perceived benefits and costs related to purchasing comprehensive financial services. The findings clearly imply that, for now, SMEs evidently prefer having independent providers for their banking and insurance services. However, some indications of a growing interest in purchasing comprehensive financial services were recognisable in the results.

The benefits of purchasing comprehensive financial services from a single provider identified in this study, such as attaining a one-stop solution, reduced formalities and paper work, and perceived time and effort savings, have been recognised as important factors in the retail context (Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007). This notion contributes to the existing research by acknowledging that customer-perceived benefits related to comprehensive financial services bear resemblances between these customer segments. Thus, the factors identified in this study may be, to some extent, generalisable in the retail customer context.

Nonetheless, as earlier research has somewhat ignored the factors that limit customers' tendency towards cross-buying, little evidence is available regarding the perceived costs of purchasing comprehensive financial services. Acknowledging this important aspect, this study suggests that the main factors limiting SMEs' willingness to purchase comprehensive services are perceived image conflicts between banking and insurance divisions, non-existent customer loyalty programs and unfavourable pricing of the comprehensive offering as compared to purchasing the components separately. The findings concerning image conflicts have been corroborated by Ngobo (2004) and Liu and Wu (2007); suggesting that questioning a bank's ability to act as an insurance provider or vice versa affects cross-buying, they identified image conflicts and the lack of confidence in the bank salespeople's knowledge and expertise in insurance as barriers to the effectiveness of cross-selling. The high importance of this factor in the results may be explained by the target customer segment. The significance of confidence in salespeople's expertise may be even more crucial in the b-to-b context, as the complexity of corporate insurance may be considered to require more competence from the salespeople than the more simple retail insurance.

In previous studies, cross-buying has been found to be affected by marketing instruments such as loyalty programs applied during the relationship (e.g. Verhoef *et al.*, 2001; Verhoef and Donkers, 2005). Yet opinions on this issue are twofold. Ngobo (2004), emphasising that the benefits of using a single provider are one of the most important predictors of cross-buying potential, claims that the existing relationship with the service provider is not significant. Competitors seeking to target existing customers with similar services can succeed if they offer significant one-stop shopping benefits and are trustworthy in the eyes of the customers. Controversially, Reinartz *et al.* (2008) suggest that existing relationships do matter. They argue that cross-buying is a consequence, not an antecedent, of behavioural loyalty, suggesting that providers should develop strong relationships with their customers prior to engaging in cross-selling. Nevertheless, Reinartz *et al.* (2008) also agree that the objective of cross-selling should be to provide value to the customer, as perceived value (from the customers' perspective) creates strong relationships. Considering the results, the absence of customer loyalty programs may partly explain SMEs' tendency towards using multiple providers, somewhat evading the idea of one-stop shopping.

Taking into account that preferential pricing and competitive terms have been identified as the main benefits of cross-sectoral cross-buying (Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007; Soureli *et al.*, 2008), the result of this study suggesting competitive pricing as a key driver of SMEs' willingness to engage in purchasing comprehensive financial services is not surprising. Good performance on payment equity, i.e. the customer's perceived fairness of the price paid for each service, as compared to that of a competitor has been identified to have a positive effect on cross-buying (Verhoef *et al.*, 2001). Competitive pricing has been identified as one of the key factors in maximising loyalty levels among SMEs (Lam *et al.*, 2009). Based on the results, the main benefit expected from comprehensive offerings is preferential pricing;

correspondingly, the main cost connected with these offerings is unbeneficial pricing. Thus, the results contribute to current knowledge by revealing that customers are driven by price-based purchasing behaviour in relation to comprehensive financial services of bank and insurance in b-to-b markets.

Even as this remark implies that low prices increase the purchase of comprehensive offerings, firms should be careful in attracting customers primarily with prices. Verhoef *et al.* (2001) note that, given that customers seek to actively manage their payment equity, providers will find it hard to cross-sell higher-priced services to make these customers more profitable in the future, which means additional competitive pricing may be needed to avoid losing opportunities. Evidence also suggests that customers acquired with low pricing tend to be "switchers" and are inclined to defect when they receive attractive offers from competitors (Kamakura *et al.*, 2003; Verhoef and Donkers, 2005). As competitive pricing and a variety of services will also be offered to SMEs by competing providers, Lam and Burton (2005) believe that switching behaviour is likely to remain a common practice among SMEs, which means it will be difficult for service providers to achieve high levels of loyalty and share of wallet in the SME markets.

Following this reasoning, the results indicate some factors that managers should deliberate on when considering possible alternatives to price-driven purchase behaviour. Related to the content of the comprehensive offering, structural bonds have been found to contribute to customers' cross-buying intentions (Liang and Chen, 2009). Structural bonds are considered to be present when a provider firm enhances customer relationships by designing a solution to customer problems in the service delivery system (Lin *et al.*, 2003). A service provider may employ a structural bond–based business practice where it attempts to retain customers by providing valuable services that are not available from other sources, such as integrated or innovative financial services based on customer needs (Chiu *et al.*, 2005; Liang and Chen, 2009). In principle, structural bonds are considered to offer customers value-added benefits that are difficult or expensive for firms to provide and are not readily available elsewhere (Berry, 1995; Chiu *et al.*, 2005), thus raising customers' cost of switching to a competitor and successfully retaining the existing customers (Liang and Chen, 2009). This view of the possibilities embedded in fostering structural bonds is reinforced by the findings of this study. As SME customers perceive the competing providers' offerings as basically uniform, thereby basing their purchase decision mainly on price, the embedded potential of further integration of the comprehensive offering combined with the generation of non-price-based customer value are of paramount importance to service providers.

To summarise, the most direct interpretation of the results of this study is that, in most cases, achieving a 100 per cent share of wallet from SME customers may be difficult or impossible—a claim also made by Lam and Burton (2006). The question then is how to make comprehensive financial service offerings appealing for business customers. Based on the results of this study, it may be argued that, to achieve this goal, the importance of the perceived customer value attributes described in this research should not be underestimated by broad-based financial service providers. Recommendations are made for the managers of financial enterprises in the following section.

5.2 Contribution of the research

5.2.1 Contribution to prior research

This dissertation studied service transition strategies as a process of steps at the customer-provider relationship level from basic services to more advanced offerings in the context of service industries. The following contributions are identified: a contribution related to the research context, a contribution related to knowledge on how firms move beyond basic services to more advanced ones, and a contribution related to knowledge on how customers actually respond to these more advanced offerings as opposed to stand-alone services.

These distinct contributions are notable with regard to the service transition literature. As for research context, namely the service-dominant setting of the financial services industry, a contribution is made by studying service transition originating from service industries. This is a rarity in the existing research, as the service transition literature has predominantly studied solutions based on manufacturing and capital goods industries and has focused on creating customer value by adding services to goods. Through the chosen service-dominant context, this dissertation increases knowledge on how the transition towards service-based solutions is attained, i.e. whether or not it follows the same service transition dimensions as in industrial settings.

Regarding the empirical research completed among service providers, this study contributes to the discussion on how providers actually move from basic services to more advanced ones with higher differentiation potential. This study sheds light on the steps taken from a basic service to a more advanced comprehensive offering and on the process of service integration, an issue that is yet to be sufficiently understood or fully established. The findings highlight the application of the various service transition dimensions among service companies, describing the practices experienced in the transition towards service-based solutions.

In the service-centred view, the value of the offering is determined, and even perceived, by using the customer's perspective (Stremersch *et al.*, 2001; Vargo and Lusch, 2004; Brax and Jonsson, 2009). Considering that empirical studies in this field mostly tend to take the perspective of the solution supplier, this study makes a contribution to prior literature by incorporating customer perspective in the research. New knowledge is created by focusing on customer perceptions of the value outcomes of more advanced offerings as opposed to stand-alone services—information that is critical to the success and viability of service transition. New information is revealed on the issue of whether or in which conditions customers prefer these more advanced offerings over basic services.

In reference to process-centred offerings targeted at the management of human capital risk through insurance, this study takes part in the discussion on human capital risk management in SMEs. In addition to considering human capital risks as an entity, a contribution is made to the research on knowledge asset protection by extending the issue from risk identification and evaluation (e.g. Harvey and Lusch, 1999; Durst and Wilhelm, 2010; Jääskeläinen, 2011) to the context of examining practical risk management methods applied in companies. To the best of my knowledge, insurance has not been introduced in this context before.

Additionally, distinctive contributions related to financial services marketing research are also identified. Considering the research context, this dissertation recognises financial convergence in b-to-b financial markets and makes a contribution to the existing literature by focusing on SME customers. By focusing on broad-based service providers, this research sheds light on the undisputed growth in the cross-selling of comprehensive financial services between banking and insurance sectors.

With regard to cross-selling research, the results of this study regarding service providers' transition towards comprehensive financial services offer detailed descriptions about the current practices and future directions employed by broad-based financial service providers. A clear contribution is made by providing new information on the sales methods and offering structures employed in the cross-selling of comprehensive financial services. As for cross-buying research, a contribution is made by describing the dimensions upon which SMEs discriminate among competing service providers. In addition to paying attention to the benefits perceived by business customers in relation to purchasing comprehensive financial services, a distinct contribution is made by focusing on the inhibitors that customers perceive in the process, thereby revealing factors that discourage customers from engaging in one-stop shopping.

5.2.2 Contribution to management practices

Based on the research findings, this dissertation provides important marketing implications for broad-based financial service providers operating in b-to-b financial services in Finland and comparable European markets. The following managerial considerations are suggested.

In relation to service transition strategies, the advice to managers would be to carefully consider service transition in the context of their business. The findings were characterised by a clear shift towards an integrated sales approach between the core divisions of service firms. In addition, efforts were clearly invested in a relationship focus and to some extent in promoting offerings based on their effect on customer operations. The different dimensions analysed in this study may act as a service transition choice model for other service providers.

The most interesting part for practitioners is the description of difficulties that providers face when embarking on these transition dimensions. The challenges described indicate that, even as providers are attempting to escape cost-based competition and commoditisation, customers do not perceive any significant benefits regarding comprehensive offerings; thus, their minds are still set on price-driven purchasing behaviour. Therefore, managers should check if their companies or business divisions are actually advancing in the integration frontier from the viewpoint of customer-perceived value. By definition, the concept of solution emphasises that the value of the solution should exceed that of the individual components (Sawhney, 2006). As theory suggests the integration of elements included in the combined offering to be the cornerstone of providing more value to the customer (Stremersch and Tellis, 2002; Sharma and

Iyer, 2011), developments in this domain are something to be carefully considered among the providers.

This is not to say that the position of a “true” solution provider would be the best in all situations and under all contingencies; after all, the findings do not clearly reveal whether SMEs would actually want to purchase true solutions within the financial services industry. Thus, providers should consider elements such as competence configuration and scale and repeatability, as proposed by Matthyssens and Vandenbempt (2010), to determine which service transition position would be the best to reach organisational congruence as well as market fit.

As achieving 100 per cent banking loyalty and share of wallet from SME customers is perceived as difficult or potentially impossible (Lam and Burton, 2006), the question of how to make the provision of comprehensive financial services successful among business customers remains intriguing. By providing valuable insight into SME customer perceptions related to the issue, the findings of this research provide service companies an opportunity to analyse their cross-selling strategies from the perspective of added customer value.

Based on the results, actions need to be taken to make the purchasing of comprehensive offerings appealing from the customer’s viewpoint. To achieve this goal, it may be argued that the importance of the perceived customer value attributes described in this paper should not be underestimated by broad-based financial service providers. Providers should better recognise their customers’ value expectations related to comprehensive offerings. The following steps are recommended for the managers of financial enterprises:

1. Consider directing efforts in designing integrated service offerings to your SME customers. By focusing on product bundling instead of price bundling, the comprehensive offering could be designed as a non-dissociable whole and used to provide non-price-based value added to customers.
2. Develop your one-stop shopping concept for SMEs by creating a customer loyalty program that rewards a customer company according to the use of multiple products in your total portfolio. To make one-stop shopping intriguing from the customer’s perspective, the customer should receive a direct reward for tying their company more tightly into your financial group. The main principles of the loyalty program can correspond to those of retail customers, suitably adapted to the specific needs of this segment. Consider other factors aside from pricing benefits as well.
3. Communicate the usefulness of having a single account manager for bank and insurance services to your SME customers. The account manager can provide SME customers with numerous services and comprehensive financial service offering–related benefits.
4. By implementing recommendation number 3, engage your SME customers in your service and sales concept development across the business lines. This will help in implementing recommendation numbers 1 and 2.

5. Pay special attention to targeting comprehensive financial service efforts to companies that do not have an existing financial service provider. In the absence of switching costs, start-up companies and SMEs that are currently not using the services of a life insurer are likely to be more responsive to purchasing bank and insurance services from the same provider compared to companies with existing provider relationships.

Even though the qualitative data presented here cannot be used to ascertain how the formation of loyalty programs may affect SME customers' cross-buying behaviour, the analysis suggests some promising directions. Although competitive pricing was identified as a key factor in both bank and insurance provider relationships, the results also indicate that competing on price alone may not be the most sustainable way to persuade SME customers to purchase comprehensive financial services. The value of a single contact for all financial services, the consideration of all service needs as an entity, and the formation of a comprehensive total offering based on understanding the customer's needs were highlighted in the customer interviews. It is possible that the smaller business customer context would offer an excellent ground for the formation of customer loyalty programs based on the competitive advantage of being able to provide the customer with a high-value, comprehensive financial services offering. The downside of customer loyalty programs is that most schemes do not fundamentally alter market structure. They might help protect incumbents and might be regarded as a legitimate part of the marketer's armoury, but at the cost of increasing marketing expenditures (Dowling and Uncles, 1997).

5.3 Limitations of the research

From a conceptual viewpoint, one limitation of this research is the selection of the search terms utilised in locating the literature considered relevant to the research subject. The applied search terms and keywords may have excluded other potentially related publications that did not contain the terminology referred to in this dissertation. Therefore, it is possible that certain seminal works were not included in this study. Furthermore, the research utilised in this dissertation was limited to research published in English, excluding work published in other languages from the theoretical foundation. These limitations may affect the reliability of the theoretical examination. Additionally, the conceptual analysis completed reflects the views of the researcher. It is possible that another researcher could have decided on different definitions as more suitable. Nevertheless, the definitions of each concept are rationalised and their soundness can be assessed based on the reasoning. The literature and concepts referred to are described in detail in Chapter 2, improving the replicability of the research and thus increasing the reliability of the results.

In terms of limitations brought about by choices made regarding research design and context, this study purposely focused on b-to-b financial services and SME customers, thus limiting the generalisability of the findings. The findings may be applied in a context similar to that in which the research was carried out; however, it is not clear whether the results would be applicable in other countries, other service industries or other customer segments. As the findings are based on a sample of service providers and SME customers within one country, the value attributes found in this study may vary in other markets or countries. As a methodological choice, a qualitative approach was employed, using interviews as the main data source. This approach is limited by the choice of firms, the choice and number of informants and the semi-structured interview method. To improve validity of the findings, the context and choices were carefully discussed, the interview approach and protocol were described as transparently as possible and a systematic, structured approach was used in the data analysis.

This study provided insight into two cases that represented service transition in service-dominant settings. The limitations of qualitative research involving a small set of cases are straightforward; the generalisation of results beyond this industry is probably fraught with difficulties, and the findings should be considered as transferable primarily to contexts characterised by similar conditions (analytic generalisation), but not to enumerate frequencies (statistical generalisation) (Yin, 2003). Replication across more cases, including those that would vary in their content and business domain, would enhance the generalisability of the results (Eisenhardt, 1989; Yin, 2003). Although the major strength of this research design is the opportunity for triangulation afforded by multiple data sources, considering the growing awareness of the limitations of interviews as a data source (Piekkari *et al.*, 2010), the use of "operational data" obtained from observations could have been used to ensure proper triangulation.

The approach of a single case study was limited by the choice of firms and the country context. Regarding the choice of firms, the products of different insurance companies are generally relatively similar; thus, the insurance specified during the process is also provided by other insurers in the market. However, as regulation and legislation regarding insurance differs across countries, it should be noted that the analysis was completed in Finland, possibly limiting the generalisability of the findings to other countries. Using multiple cases within and across markets would have enabled a broader exploration and a more robust view of the phenomenon (Yin, 2003) and would have augmented the external validity of the research (Voss *et al.*, 2002). An additional limitation is the employment of participant observation. As one of the authors is employed by the case company, the challenges of observer bias and maintaining objectivity despite being an insider are evident in the research. To increase the validity of the findings, multiple means of data collection were employed (Baxter and Jack, 2008), and the insurance feasibility determination process was described as transparently as possible.

In general, the results might have been more informative if longitudinal data were obtained. Due to the practical limitations regarding funding and the schedule of the research project that provided the research material and access to the case organisations, this was not possible. However, to increase the possibility of generalisation of the results, the following steps suggested by LeCompte and Preissle (1993) and Miles and Huberman (1994) were taken: the characteristics of the samples were fully described to permit adequate comparisons with other samples, the possible limiting effects of the sample selection and the setting were discussed in detail, the scope and boundaries of the study were carefully defined, the findings were supported by thick descriptions for readers to assess the potential transferability to their own settings, the findings were checked for consistency by presenting them to a wider seminar audience, and the findings were noted as congruent and connected to prior theory.

5.4 Suggestions for further research

During the course of the study, several potential topics for further research were discovered. In terms of service transition research, the most intriguing one stems from the observation that although broad-based service providers are clearly attempting to adopt comprehensive financial services as a means of gaining competitive advantage and differentiation, price-based competition still seems to prevail in the financial industry. Given that literature strongly links true solution offerings with achieving non-price-based customer value (see Matthyssens and Vandenbempt, 2008), focusing research on the possibilities of further integration of the comprehensive offering in terms of what Stremersch and Tellis (2002) define as product bundling could help increase providers' knowledge on adding value to business customers based on factors aside from pricing. Thus, the constituents of service integration providers is a fruitful topic for further investigation within the financial sector, especially in terms of the integration of banking and insurance services in a comprehensive total offering.

The literature also states that, as companies move towards solutions provision, it is not clear whether they are able to recoup the additional costs brought on by organisational changes, customisation and integration, which are considered prerequisites to success in solutions selling (Krishnamurthy *et al.*, 2003; Sawhney, 2006). The problem setting of developing the provision of comprehensive financial services in a way that is profitable to the provider can also provide important grounds for further research in the financial sector.

Interesting issues for further examination were also identified related to financial marketing research. Even though the qualitative data presented cannot be used to ascertain how the formation of loyalty programs may affect SME customers' cross-buying behaviour and the elements of perceived value of comprehensive financial services, the analysis suggests some promising directions for further study. Although competitive pricing was identified as a key factor in both bank and insurance provider relationships, the results also indicate that competing on price alone may not be the most sustainable way to persuade SME customers to buy comprehensive offerings including banking and insurance services; rather, a number of customer value attributes unrelated to pricing emerged in the findings.

The value of a single point of contact, the consideration of all customers' service needs as an entity, and the formation of a comprehensive offering based on understanding the customer's needs and operating situation were highlighted as important elements of customer value by SMEs. Thus, it seems possible that the smaller business customer context offers an excellent ground for exploring the prospects embedded in business customer loyalty programs based on the competitive advantage of being able to provide the customer with a high-value, comprehensive solution offering. Given that the importance of loyalty programs for SMEs was significantly stressed in the findings, further research on this topic is called for, including the possible formation, content and functionality of such programs.

In addition, some notions emerged in relation to intellectual capital risk management in terms of the provision of process-centred offerings by insurance companies. Based on the results of the third paper, it can be argued that knowledge asset protection is an important issue for small and medium-sized companies. As Stam (2009) suggests, more research effort should be focused on developing concrete methods that support the management of these risks. According to the findings of this study, insurance is proposed as one prominent approach for companies' human capital risk management.

Given that the viewpoint of this study on the issue was that of an insurance provider, the issue could be further explored among SME customers by focusing on the effectiveness of these comprehensive insurance offerings in practice. Considering the immaterial and non-physical nature of human capital, it would be interesting to investigate how these assets and the related risks are valued in monetary terms. This could include assessing the SME customers' willingness to invest in the insurance premiums related to these risks and exploring if the compensations paid by the insurers are actually sufficient compared to occurring losses. In addition to human capital risks, insurance can be used for many other purposes in SME risk management, and the applicability and content of similar comprehensive insurance offerings for the management of the other components of intellectual capital risks, namely relational and structural capital risks, could provide an interesting agenda for further research.

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PART 2: ORIGINAL PUBLICATIONS

Paper I

Value through combined offerings of bank and insurance

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VALUE THROUGH COMBINED OFFERINGS OF BANK AND INSURANCE

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Abstract

Purpose – This study investigates how financial service providers cross-sell combined bank and insurance service offerings in business-to-business context with the aim to increase understanding on the creation of corporate customer value through cross-selling.

Design/methodology/approach –A qualitative study of eight providers, augmented with interviews among eight of their small and medium-sized enterprise (SME) customers, form the empirical basis of the study.

Findings – Financial **s**ervice providers anticipate a shift from separate sales events towards one-stop shopping and from unilateral provision of non-related products towards consideration of hybrid products in the SME segment. SME customers, who tend to acquire their banking and insurance services as non-related products from separate providers, do not fully support these trends. The results are partly explained by the absence of customer loyalty programs and non-existent provision of hybrid products in the business-to-business context.

Research limitations/implications – The research is focused on financial industry within one country and bound to SME customers, limiting the generalizability of the findings.

Practical implications – Our results implicate that financial service providers should develop their one-stop shopping concept in the SME segment by creating a customer loyalty program that would reward customer companies according to the use of multiple products in their total portfolio. Additionally, the possibilities of introducing hybrid products solely for business customer use should be further investigated.

Originality/value – This study is the first to show how business customers perceive the value of cross-buying bank and insurance services, presenting a reminder to managers about the importance of recognizing their SME customers' value expectations.

Keywords Cross-selling, financial services, one-stop shopping, hybrid products, customer value, SMEs

Paper type Research paper

1. Introduction

Cross-selling, and consequently cross-buying, is receiving considerable attention in research and management in the financial industry (e.g. Verhoef *et al.*, 2001; Harrison and Ansell, 2002; Li *et al.*, 2005; Soureli *et al.*, 2008). Deregulation, along with mergers and acquisitions, has increased both competition and co-operation between the different sectors of the industry (Kamakura *et al.*, 1991; Voutilainen, 2006), leading majority of the financial players to practice one or another type of cross-selling (Van den Berghe and Verweire, 2001). As financial service providers are increasingly seeking to enhance the value of their existing customers by expanding the range of products they buy from the firm (Verhoef *et al.,* 2001), cross-selling has been associated with various positive effects such as decreased customer acquisition expenditures (Reicheld and Sasser, 1990), lowered customer resistance to further sales propositions (Ngobo, 2004) and higher levels of customer retention, customer loyalty and revenue and profit generation (Reinartz and Kumar, 2000; Vyas and Math 2006; Reinartz *et al.,* 2008).

While suggestions have been made about the need to direct more interest towards cross-selling and cross-buying in the academic literature due to its overall practical implications to managers (Kamakura *et al.*, 2003; Reinartz *et al.*, 2008), existing research in the domain approaches the issue from two directions. One stream of literature focuses on the testing of different methodologies for the efficient identification of cross-selling opportunities (e.g. Kamakura *et al.*, 1991; Harrison and Ansell, 2002; Knott *et al.*, 2002; Kamakura *et al.*, 2003; Verhoef and Donkers, 2005). These studies have yielded results on the sequence and probability of service acquisition (Kamakura *et al.*, 1991, 2003), predicted who is the most likely customer to cross-buy, what the products are likely to be and the timeframe in which the next purchase is likely to be made (Harrison and Ansell, 2002), and suggested current product ownership as the most crucial predictor of the likelihood of next product adoption (Knott *et al.*, 2002). As the research is mainly based on analyzing current product ownership and customer characteristics data, little attention has been paid on the actual cross-selling practices used in financial institutions (e.g. Vyas and Math, 2006), and next to no evidence on the different methods and product structures employed in cross-selling was identifiable in the literature.

Simultaneously, substantial effort has been directed in investigating cross-buying in association with the different facets of customer satisfaction and customer loyalty (e.g. Verhoef *et al.*, 2001, 2002; Ngobo, 2004; Li *et al.*, 2005; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008). Considering cross-buying as a consequence of behavioural loyalty, this research has shown that customer satisfaction (Verhoef *et al.*, 2001, 2002; Li *et al.*, 2005), commitment (Verhoef *et al.*, 2001, 2002), trust (Liu and Wu, 2007; Soureli *et al.*, 2008), switching costs (Li *et al.*, 2005), one-stop shopping convenience (Ngobo, 2004; Liu and Wu, 2007), corporate image (Ngobo, 2004; Soureli *et al.*, 2008) and corporate reputation (Liu and Wu, 2007; Jeng, 2008) contribute significantly to customers' cross-buying behaviour and/or cross-buying intentions. As the impact of these antecedents on cross-buying are to a large extent clear, less is known about the individual factors that make customers buy additional services from the existing provider (Reinartz and Kumar, 2000; Lymberopoulos *et al.*, 2004; Ngobo, 2004), and although some attention has been paid on the drivers of customers' cross-buying intentions (Ngobo, 2004; Jeng, 2008; Soureli *et al.*, 2008), knowledge on the issue is still limited.

Although customer value is regarded as key in business relationships (e.g. Anderson and Narus, 1998; Ulaga and Eggert, 2006), current research on the domain has focused mainly on the opportunities to increase the value generated to providers by expanding their share of the existing customers' wallets, and has on the most parts ignored the value that increasing the range of products purchased from the same provider may create to the customers. Thus, relatively little is known about the benefits that providers offer to their customers through cross-selling, and on the other hand, on the costs that limit customers willingness to cross-buy. In addition, aside from few exceptions (Bergendahl, 1995; Lymberopoulos *et al.*, 2004; Voutilainen, 2006), previous studies have focused primarily on banks or insurance companies, neglecting the importance of cross-selling across these financial sectors. However, as the old barriers between banking and insurance have broken down, the industry is increasingly dominated by integrated financial service providers offering a wide range of financial services (Van den Berghe and Verweire, 2001; Kamakura *et al.*, 2003). Thus, a growing emphasis should be placed on cross-sectoral cross-selling strategies.

Contributing to the existing research, this study examines the creation of customer value through cross-selling of combined offerings between banks and insurance companies. First we seek to find out how, through what kind of methods and offering structures, financial service providers cross-sell combined offerings to their customers. Second, we investigate how customer value is created through these cross-selling approaches. As research in this sector has almost exclusively concentrated on retail customers, corporate customers, who have been suggested to offer great profit opportunities (Zineldin, 1995), and especially small and medium-sized enterprises (SMEs), implied as one of the most profitable and growing customer segment for banks (Connolly, 2000) have been underemphasized in the existing research (Lam *et al.*, 2009). Thus, we focus our study on business-to-business financial services by investigating the SME sector in Finland, where as many as 99.8 % of all businesses are SMEs (Statistics Finland, 2010), making the topic of critical interest to service providers.

Among business customers, SMEs are particularly appropriate for our research purposes, as the business owner typically controls the choice of service providers, in contrast to larger organizations, where multiple decision makers make investigating the reasons for choice of providers more problematic (Lam and Burton, 2006). In addition, the value of combined offerings can be considered as especially intriguing in this customer context, as studies have shown conflicting results on SME banking loyalty (Trayler *et al.*, 2000; Lam and Burton, 2005, 2006), and suggested SMEs to actively choose not to use exclusively one service provider (Lam *et al.*, 2009). Our results provide detailed information about the current practices and future directions employed in cross-sectoral cross-selling in the SME segment. By comparing provider and SME customer views, we create basis for service providers to better recognize their business customers' value expectations related to cross-selling of combined offerings, thereby offering important marketing implications for broad-based financial service providers which are operating, or are planning to operate, in Finland and comparable European markets.

The article is structured as follows. Based on a literature review, we develop a classification framework for the cross-selling of combined offerings. After describing our research methodology, we present the results of the empirical study. Finally, we discuss the implications of our research and conclude by outlining study limitations and an agenda for further research.

2. Cross-selling combined offerings of bank and insurance

2.1. Cross-selling in the financial industry

In general, cross-selling and cross-buying have been observed as a relatively underemphasized area in the academic research (Reinartz *et al.*, 2008). In addition to financial industry, where a growing interest is being placed in this domain, the issue has been subject of attention in grocery industry, where cross-selling has been investigated as an antecedent of store-level increase in assortment (Messinger and Narasimhan, 1997), customer-level store choice (Drèze and Hoch, 1998) and store-level sales and productivity (Reinartz and Kumar, 1999), and cross-buying has been analyzed as a consequence of pricing and promotional changes (Manchanda *et al.*, 1999). In the context of financial services, where this study is focused, cross-selling has been defined as the practice of promoting additional products and/or services to existing customers in addition to the ones that a customer already has (Butera, 2000) or as the efforts to increase the number of products and/or services that a customer uses within a firm (Kamakura *et al.*, 2003). Correspondingly, cross-buying is referred as the buying of different products and/or services from the existing service provider in addition to the ones the customer currently has (Ngobo, 2004) or as the number of products and/or services acquired from the same provider (Verhoef *et al.*, 2001; Soureli *et al.*, 2008). In this paper we use the terms cross-selling and cross-buying in relation to combined offerings including both banking and insurance products.

Existing research in the financial industry approaches cross-selling and cross-buying from two directions. Literature on cross-selling focuses mainly on methodologies for identifying common acquisition patterns of products based on current ownership and customer characteristics data. The findings suggest multiple models as useful in the prediction of cross-selling opportunities. The sequence and probability of product acquisition have been predicted with latent trait theory (Kamakura *et al.*, 1991), survival techniques have shown to be effective in retention modelling (Harrison and Ansell, 2002), next product to buy –model has found to generate incremental cross-selling profits with the current product ownership as the most crucial predictor (Knott *et al.*, 2002), a mixed data factor analyzer has been suggested to allow managers to quickly identify effective cross-selling opportunities (Kamakura *et al.*, 2003), and probit models have found to be useful in studying the sequential acquisition patterns of financial services (Li *et al.*, 2005) and in estimating the impact of acquisition channels on loyalty and cross-buying (Verhoef and Donkers, 2005). Even though the mixed data factor analysis (Kamakura *et al.*, 2003) has been found to outperform the latent trait model (Kamakura *et al.*, 1991), the effectiveness of these models has otherwise not been compared.

On the other hand, cross-buying has been widely discussed in relation to customer satisfaction and customer loyalty. Considering the length of the customer-provider relationship, payment equity has found to have a negative effect on cross-buying for customers with long relationships (Verhoef *et al.*, 2001) and the impact of customer satisfaction and commitment on cross-buying have been found to increase with relationship length (Verhoef *et al.*, 2002). Perceived convenience of one-stop shopping (Ngobo, 2004; Liu and Wu, 2007), corporate image (Ngobo, 2004; Soureli *et al.*, 2008) and corporate reputation (Liu and Wu, 2007; Jeng, 2008) have been identified as the most important predictors of cross-buying potential, and trust (Liu and Wu, 2007; Soureli *et al.*, 2008), as well as customer satisfaction and switching costs (Li *et al.*, 2005) have been found to have a significant impact on cross-buying intentions. Although some debate remains as to whether cross-buying is an antecedent or a consequence of behavioural loyalty (e.g. Reinartz *et al.*, 2008), research in this industry seems to have the tendency to investigate cross-buying as a consequence of such behaviour.

The intention of the previous research has mainly been to investigate opportunities to increase the value generated to the service providers by their customers. Even though the key role of customer value has been well established in the business marketing discipline (e.g. Anderson and Narus, 1998; Ulaga and Eggert, 2006), little attention has been paid to the value that providers can offer to their customers through cross-selling. Consistent with business-to-business marketing literature, we define customer value as the trade-off between the benefits and sacrifices of the provider's offering perceived by key decision makers in the customer's organization (Ravald and Grönroos, 1996; Ulaga and Chacour 2001), meaning that customer value is subjective and that it depends on what the customer sees as beneficial or unbeneficial for them when choosing or using a supplier. Thus, providers can contribute to the creation of customer value either by providing benefits to the customer or lowering a customer's costs (Ulaga and Eggert, 2006). Considering perceived benefits of cross-buying, measures such as service quality, preferential pricing, time savings, the appreciation of using a single provider (Ngobo, 2004), reduced cost and risk of transactions, reduced formalities and paper work (Vyas and Math, 2006), corporate reputation and expertise (Liu and Wu, 2007), interpersonal relationships (Jeng, 2008) as well as competitive terms and loan interests (Soureli *et al.*, 2008) were identified in the literature. Costs or sacrifices limiting customers' cross-buying behaviour have received less research attention, as sacrifices have on the most parts been linked to image conflicts of banks selling insurance and switching costs including geographic distance and lost customer benefits (Ngobo, 2004).

As these benefits and costs have been proposed in association to retail customers, they provide little evidence on the drivers of cross-buying behaviour among SMEs. However, focusing on banking loyalty and share of wallet among business customers, SME bank selection and usage have been quite recently investigated in several countries (Trayler *et al.*, 2000; Lam and Burton, 2005, 2006; Lam *et al.*, 2009). These studies show that preference towards cross-buying cannot be taken for granted among business customers, as the studies have yielded conflicting results on SMEs' bank usage and loyalty behaviour (Trayler et al., 2000; Lam and Burton, 2005; 2006) and suggested SMEs to actively not to use exclusively one provider (Lam *et al.*, 2009).

Although some references to one-stop shopping convenience (Ngobo, 2004; Liu and Wu, 2007) and the opportunities for banks to cross-sell insurance products to consumers (Bergendahl, 1995; Lymberopoulos *et al.*, 2004) were identified in the literature, existing studies have focused mainly on banking or insurance, neglecting the issue of cross-sectoral cross-selling. Building on the categorization of cross-selling approaches between a bank and an insurance company discussed in the following section, we develop a classification framework for the cross-selling of combined offerings.

2.2. Classification of combined offerings

During the last decades, banks and insurance companies have actively both co-operated and competed with each other (Kamakura *et al.*, 1991; Voutilainen, 2006). As the barriers between banking and insurance have broken down, the industry is increasingly dominated by integrated financial service providers offering a wide range of financial services (Benoist, 2002; Kamakura *et al.*, 2003). Consequently, integration has been argued to be the key element in the cross-selling between banking and insurance sectors (e.g. Van der Berghe and Verweire, 2001; Liu and Wu, 2007). In accordance, two recent cross-sectoral cross-selling related integration trends can be identified in the financial industry: one-stop shopping and hybrid products.

One-stop shopping is defined as offering customer as many banking and insurance products as possible at one place during one customer service event with the aim to compose a comprehensive 'total' solution for all the customer's financial service needs (Benoist, 2002; Ngobo, 2004; Korhonen and Voutilainen, 2006). Consequently, one-stop shopping is related to the integration of sales approaches between banking and insurance sectors. Traditionally, banks and insurance companies have based their cross-sectoral cross-selling on direct marketing or sales leads, following that products have been offered to the customer at separate sales events, i.e. at different points of time and possibly on different physical locations. This tradition has changed as one-stop shopping of banking and insurance services has become an established practice in the industry (e.g. Jarrar and Neely, 2002; Kamakura *et al.*, 2003; Ngobo, 2004; Voutilainen, 2006). It is somewhat commonly believed that customers prefer one-stop shopping (Vyas and Math, 2006), are willing to purchase different types of financial services from the same institution (Bergendahl, 1995; Lee and Marlowe, 2003) and will gravitate to providers who can blend financial services into one compelling value proposition (Engen, 2000). Nevertheless, little has been written on customer attitudes towards insurance selling through bank branches or vice versa (Lymberopoulos *et al.*, 2004), and no research comparing one-stop shopping with separate sales events from the viewpoint of customer value was identifiable in the literature. The issue can be considered as especially intriguing in the SME customer segment, where studies have shown split banking to be somewhat a norm (Lam and Burton, 2005) and companies to actively choose not to use exclusively one service provider (Lam *et al.*, 2009).

Hybrid product is defined as a cross-sector product combination composing of a banking and an insurance component, where the banking component and the insurance component are closely interrelated and strongly dependent on each other (Voutilainen, 2006), and the two products are only available in a pure bundled form (Bergendahl, 1995). Hence, hybrid products are related to product level integration between banking and insurance sectors. A classic example of a hybrid product is the combination of a loan and a credit protection insurance (CPI), where the insurance part, i.e. 'the loan cover', does not exist without the loan, and, on the other hand, the loan cannot be characterised as a safe loan without the cover (e.g. Bergendahl, 1995; Benoist, 2002; Voutilainen, 2006). A car loan combined with a vehicle insurance and a mortgage combined with home insurance (Lymberopoulos *et al.*, 2004) are other established examples of hybrid products. Although pressure towards individual, independent and non-related products with transparent product charges has been implied to prevail in the financial industry (e.g. Howard, 2000), product bundling, and especially cross-sector product combinations, have been argued to be an important new trend in the industry (Voutilainen, 2006). Even though some evidence of banks taking advantage of hybrid products in retail settings exist in the literature (e.g. Bergendahl, 1995; Lymberopoulos *et al.*, 2004), according to our knowledge, the issue has not been studied in the business-to-business context.

Following these cross-sector cross-selling categories, we suggest a classification of combined banking and insurance service offerings in terms of a 2 x 2 matrix that divides the cross-selling approaches into four classes as illustrated in Figure 1. The classification distinguishes between the two main types of cross-selling methods, i.e. is the combined offering sold to the customer at separate sales events or through one-stop shopping, and the two types of interrelations between the banking and insurance products within the offering, i.e. are the products independent (non-related products) or dependent on each other (hybrid products).

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	**Class 1**	**Class 2**
	Hybrid products	**Class 3**	**Class 4**

Figure 1. The classification of combined offerings

Examples of the different classes are presented in Table 1.

Table 1. Examples of combined offerings

Class of the combined offering		Example of the class
Class 1	Non-related bank and insurance products sold at separate sales events.	An account customer of a bank is offered mandatory pension insurance or non-life insurance by direct marketing or a sales lead.
Class 2	Non-related bank and insurance products sold through one-stop shopping.	As in (1), but in connection with the so-called 360 degrees customer negotiation. Possibly a lead is forwarded to insurance companies.
Class 3	Hybrid products sold at separate sales events.	CPI is sold to an existing loan customer after the loan has been sold.
Class 4	Hybrid products sold through one-stop shopping.	CPI is sold in connection with the loan negotiation.

To analyse the customer value created through these cross-selling approaches, we conducted a qualitative empirical study among financial service providers and their small corporate customers.

3. Research methodology

Due to the explorative nature of the study, we employed a qualitative research approach and collected interview based data with key informants in selected financial service provider organizations. Based on the research phenomenon and the research questions, we centred our investigation on service providers who have operations on business-to-business markets, and sought for providers that are currently either a part of a broad-based financial group (i.e. operate in both banking and insurance business) or have a selling agreement with a bank / insurance company with a possibility to cross-sell combined offerings. To increase the opportunity to explore variation in the data, providers were carefully selected according to the context they operate in: representatives of banks, life insurers as well as property-casualty insurers were included in the study. Through a research network of financial industry in one country, we discovered eight service providers who fulfilled these criteria and were willing to engage in the research.

As the focus of this study is on customer value, we decided to augment our empirical basis by adding insights from the customer perspective. For this purpose, we completed interviews among SME customers of the service providers participating in the study. The SMEs were contacted through the banks, insurance companies and a national entrepreneur organization. The sampling process ceased when saturation was reached, which was indicated by information redundancy. Congruent with sample sizes recommended by scholars for exploratory research purposes (McCracken, 1988), our final sample consisted of eight SMEs. The triangulation was perceived to complement and support the pattern found in the service providers' views, allowing comparison between provider and SME customer perceptions.

The research data is mainly interview-based. In addition, documents consisting of the providers' sales material and product descriptions were employed in order to enhance data credibility (Baxter and Jack, 2008). On the provider side, the interviewees were selected based on having responsibility for the development and/or implementation of cross-sectoral cross-selling strategies in the SME segment. Among the SMEs, key informants were chosen on the basis of having the authority to select and monitor the company's relationship/s with their financial service provider/s. In this study, we classify SMEs according to their annual revenue in Euros as follows: micro (≤ 2 M), small (≤ 10 M) and medium-sized (≤ 50 M) enterprises (European Commission, 2011). Description of the target firms and interviewees is shown in Table 2.

Table 2. Target firms and interviewees

	Financial service providers	**SME customers**
Target companies	– Life insurer (providers 1, 2) – Property-casualty insurer (providers 3, 4, 5) – Bank (providers 5, 6, 7, 8)	– Micro company (customers A, B, C, D) – Small company (customers E, F, G) – Medium-sized company (customers H)

Cross-selling / cross-buying linkage	– Part of a financial group:
	  – bank and life insurer (1, 6, 7)
	  – bank, life insurer and property-casualty insurer (2, 4, 5)
	  – life insurer and property-casualty insurer (3)
	– Existing cross-selling agreement:
	  – bank, life insurer and property-casualty insurer (8)
		– Separate providers
		  – bank and insurance services from separate providers (A, C, E, F, H)
		– Shared providers
		  – life insurance from main bank (G)
		  – all financial services through main bank's cross-selling network (B)
		  – single provider for all financial services (D)

No. of interviews	11 (1-2 per company; 1-4 persons each)	8 (1 per company; 1-2 persons each)
Interviewees	– CEO / vice CEO (1, 5) – Vice presidents of sales, business development and corporate / SME customers (2, 3, 4, 5, 6, 7, 8) – Business unit managers (6, 7)	– Entrepreneur (B) – General manager (E) – Financial manager (E, G) – Managing director (A, C, D, F, G, H)
Interview durations	41 - 80 minutes (avg. 57)	27 - 45 minutes (avg. 31)

A semi-structured interview protocol composed of two sections was used in the interviews. In the first section, we asked the interviewees to describe the methods and product structures their organization employs in the cross-selling of combined offerings in the SME customer segment. In the second part, the interviewees were asked to describe how their organization creates value to these customers through the different cross-selling approaches. Correspondingly, the SME customers were asked the same questions from the perspective of cross-buying and how service providers create value for their company. In these question areas, the interviewees were allowed to tell their own story of the firm's current ways of operating, and interviewers prompted with more detailed questions upon need. To facilitate the process, participants were asked to describe activities between the provider and the customer company, which in turn allowed the interviewers to probe the different benefit and cost dimensions perceived in the relationship. All interviews were held face-to-face in the interviewee's job location, and they were tape-recorded and fully transcribed. The interviews lasted on average 57 minutes on the provider side and 31 minutes on the SME customer side.

The analysis was carried out using traditional steps in the analysis of qualitative data (Miles and Huberman, 1994). First the interview transcripts and documents were reviewed to highlight important issues and patterns in data. Next, data extracts were gathered into an initial categorization table. The categories related to the structure of the interview protocol, adhering to new themes that emerged in the interviews. Finally, content analysis was used to systematically evaluate the content of the transcripts (Kolbe and Burnett, 1991) in order to identify core consistencies and meanings in the data (Patton, 2002). Based on the data, we compared the cross-selling and cross-buying patterns against the classification of combined offerings, and contrasted the findings among the service providers against the SME customer interviews. Excerpts from the interviews will be used to illustrate key findings. To conclude central issues from the analysis, our findings will be reflected on prior research regarding cross-selling and cross-buying of financial services.

4. Results

Below, the results of the analysis are reported in line with the research questions. First we describe how service providers cross-sell combined offerings to SME customers, after which we analyse the providers' and customers' perceptions on the customer value created through these cross-selling approaches.

4.1. Cross-selling of combined offerings

Based on our data, financial service providers cross-sell combined offerings in the SME segment through three approaches: selling non-related products at separate sales events (Class 1), selling non-related products through one-stop shopping (Class 2), and selling hybrid products through one-stop shopping (Class 4). No evidence on selling hybrid products through separate sales events (Class 3) was discovered during the interviews. Figure 2 presents the service providers (1-8) and SME customers (A-H) positions in the classification framework.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	1, 2, 3, 5, 6, 8 A, B, C, E, F, G, H	1, 3, 4, 5, 6, 7, 8 B, D, G
	Hybrid products	–	1, 7 D

Figure 2. Positions of the service providers (1-8) and SME customers (A-H) in the combined offerings classification framework

Based on the interviews, service providers employ separate sales events and one-stop shopping quite evenly: the former is more frequently used between banks and property-casualty insurers, as the latter is seen to fit better in the cross-selling of banks' and life insurers' services. The size of the corporate customer was identified as the key influencing factor in the choice of sales method:

> *"The needs of micro and small companies are quite easily fulfilled with standard 'bulk' products sold through one-stop shopping. However, the varied demands of medium-sized enterprises require more expertise and customization from our sales people, making separate sales events for banking and insurance services more efficient."* (Interviewee 3)

Combined offerings are mainly structured from independent, non-related products. Except for the combination of a loan and a CPI, hybrid products are not offered to SME customers:

> *"Even though we provide numerous hybrid products for our retail customers, the only hybrid product in our corporate customer portfolio is the combination of a loan and a CPI."* (Interviewee 1)

> "*Although it is possible to purchase the banking and insurance components separately, they are practically always sold together through one-stop shopping."* (Interviewee 7)

The provider views were somewhat visible also among the SME customers. Majority of the SMEs prefer purchasing their banking and insurance services through separate sales events from separate providers:

> *"Personally, I prefer acquiring my company's banking and insurance services from independent, specialized providers."* (Interviewee H)

SME customers' one-stop shopping experiences are mainly related to buying life insurer's services through their company's main bank. In addition, two of the SMEs cover all their financial service needs, banking and insurance alike, through a single provider by employing so called ‘total’ solutions. Interestingly, both companies were start-ups at the time of the initial purchase, giving some indication about the effectiveness of one-stop shopping among the smallest corporate customers.

Given the nearly non-existent provision of hybrid products, most SMEs in our sample have no experiences from hybrid products. The preference towards non-related products was rationalized as follows:

> *“I prefer non-related, independent products, as they can be easily removed from or added to the offering based on our swiftly changing financial service needs.”* (Interviewee A)

4.2. Future cross-selling strategies

The interviewees were also asked about their cross-selling strategies and cross-buying preferences in future (Figure 3). Based on the results, two distinct transitions are anticipated in the SME customer segment.

		Cross-selling method	
		Separate sales events	**One-stop shopping**
Product structure	**Non-related products**	3, 6, 8 B, C, D, E, F, G, H	1, 2, 3, 4, 5, 6, 7, 8 A, B, C, D, G
	Hybrid products	–	1, 2, 4, 5, 7 D, G

Figure 3. Future cross-selling strategies and cross-buying preferences of service providers (1-8) and SME customers (A-H)

The comparison of Figures 2 and 3 shows that service providers are evidently moving from separate sales events towards sole focus on one-stop shopping:

> *“Consistent with our cross-selling practices among retail customers, one-stop shopping is our dominant future strategy in the SME segment.”* (Interviewee 5)

Although the interviewed providers indicated the dominance of non-related products to continue, their interest towards hybrid products is increasing. Interestingly, majority of the providers associate hybrid products with retail customers:

> *“As product integration is more advanced in the retail segment, our hybrid product development will be based on retail customers’ needs also in future. Nevertheless, I am certain that there are significant opportunities in transferring hybrid products from retail to SME customer offerings.”* (Interviewee 2)

The combinations of an investment and investment protection insurance, and leasing financing for a motor vehicle and motor vehicle insurance were mentioned as promising future examples of hybrid products for SME customers. However, the interviewees conceded that although considerable prospects may be embedded in hybrid products in the SME segment, none of the provider companies has thoroughly investigated the issue.

Compared to the provider side, the described transitions are not as visible among the SME customers. As most SMEs lean strongly towards separate sales events also in future, their interest towards one-stop shopping can be described as conditional:

> *"We will consider one-stop shopping of bank and insurance services only if it provides clear benefits to our company."* (Interviewee C)

Our data indicates that SMEs' future preferences are fixed on non-related products. Opportunities to cross-sell hybrid products to SMEs may however exist, depending on the content of the products:

> *"As long as the offering fulfils a clearly identifiable, existing financial service need that my company has, I do not care whether it consists of hybrid or non-related products."* (Interviewee G)

4.3. Value through combined offerings

Altogether 155 statements were identified regarding customer value creation through cross-selling of combined offerings. Summarizing these statements, Table 3 highlights some evident consistencies and differences on how benefits and costs of cross-selling are perceived among service providers and their SME customers.

The perceptions on value are most consistent regarding selling non-related products at separate sales events (Class 1). Many of the interviewed providers raised opinions in favour of separate sales events as a way of ensuring the best solution for the vast demands of business customers:

> *"Separate sales events for banking and insurance services are efficient and effective for both parties."* (Interviewee 8)

> *"Keeping the 360 degrees customer negotiation processes as separate is definitely easier for the customer."* (Interviewee 5)

In contrast to providers who perceive separate sales events as a cross-selling approach, SME customers relate separate sales events with having independent banking and insurance providers, associating diversification of providers with numerous benefits:

> *"Relying in only one financial service provider would be too risky for a company this size."* (Interviewee H)

Table 3. Value through combined offerings

Class	Source	Value dimensions: Benefits	Value dimensions: Costs

Class 1
Non-related products
Separate sales events
	Providers	– Efficient and effective for both parties
		  – corporate customers' needs complex, products require customization
		  – separate sales events ensure best expertise from each business line
		– 360 degrees customer negotiation processes best as separate
		  – handling banking and insurance independently easier for the customer
			– Customer communication with both business lines required

	SMEs	– Using separate providers beneficial
		  – lower risk through diversification
		  – best expertise through specialized providers
		  – stronger customer negotiation power
		  – competitive pricing
			– High switching costs tie company to the existing provider
			  – limits possibilities for one-stop shopping

Class 2
Non-related products
One-stop shopping
	Providers	– Simplicity, easiness
		– Time and effort savings
		– Customization of products
		– Customer's situation considered as an entity
		  – product overlap and blind spots minimized
		  – packaged 'total' offerings cover all customer needs
		– One, joint account manager for banking and insurance
		  – one point of contact
		  – acts as a link to the product experts
			– Combining customer negotiation processes demanding
			  – heavy for the customer
			  – waste of product experts' time
			– Understanding the details of packaged offerings challenging
			– No customer loyalty programs
			  – expert services, pricing benefits?

	SMEs	– All options comparable simultaneously
		– Time and effort savings
		– Customization of products
		– All service needs considered as an entity
		  – efficient and informative
		– Non-related products allow switching part/s of the offering to a competitor
			– Combined customer negotiation processes exhausting
			– Comparison of offerings between providers difficult
			– One account manager not capable to handle both business lines
			  – direct contacts to product experts necessary
			– Single provider unable to fulfil all service needs
			– Risk of weakened negotiation power
			– Customer loyalty programs non-existent

Class 4
Hybrid products
One-stop shopping
	Providers	– Components designed to complement each other
		  – offered as optional elements
		– Substantial opportunities could exist
		  – not considered thoroughly in the SME segment
			– SME specific needs not considered comprehensively
			  – hybrid products developed for retail customers
			  – transferred to SMEs if applicable

	SMEs	– Future interest defined by:
		  – hybrid product's ability to fulfil an identifiable customer need
		  – provider's capability to demonstrate concrete value from the product
		  – competitive pricing
			– Individual components should be optional, not imposed
			  – providers attempt to capitalize on customers

"We use different providers for bank and insurance services, since specialized providers perform better in their particular services in terms of efficiency and service quality." (Interviewee F)

"We have more customer negotiation power in terms of pricing as the providers know that we are requesting tenders from the other providers we are using." (Interviewee C)

Although many of the SMEs using multiple providers showed interest towards one-stop shopping of banking and insurance services, they complained that high switching costs tie them to their existing provider/s at the moment.

In addition to similarities in the perceived benefits of selling non-related products through one-stop shopping (Class 2), differences were identified between the provider and customer views. The interviewed providers associate one-stop shopping strongly with packaged 'total' offerings:

"The customer definitely benefits from our comprehensive product packages, as this makes handing all the company's financial service needs simple and easy." (Interviewee 6)

However, part of the SMEs perceived that product packaging makes comparison of offerings between providers difficult, and stressed the importance of being able to switch parts of the offering to a competitor if preferred:

"Although I appreciate having my company's banking and insurance services at the same place, I will not hesitate to switch parts of the total offering elsewhere given better service quality or pricing." (Interviewee D)

In addition, a number of SMEs questioned a single providers' ability to fulfil all their financial service needs:

"To put it simply, I do not trust my bank when it comes to insurance policies." (Interviewee E)

As providers emphasize joint account manager as a clear benefit from one-stop shopping, SME customers perceive the competence of a single person as limited. Thus, in contrast to the providers' view of an account manager acting as a link between customers and experts, SMEs clearly stated to value direct contacts to product experts for ensuring swift reaction and specialized answers.

Perhaps the most notable finding is the total lack of customer loyalty programs offering centralization benefits for business customers:

"On the contrary to retail segment, our company does not provide any customer loyalty programs or centralization benefits for SME customers" (Interviewee 4)

As only few providers mentioned loyalty programs to be even under consideration in the business-to-business context, development of such programs was considered as a critical factor by nearly all interviewed SMEs:

> *"For now, I do not receive any benefits from centralising majority, let alone all, my company's financial services to a single provider. Thus, why would I be interested in such a thing?"* (Interviewee B)

> *"In order to consider one-stop shopping of banking and insurance services, I expect an adequately communicated customer loyalty program making the use of a single provider beneficial for my company."* (Interviewee G)

No evidence on customer value was found considering Class 3, as the providers do not sell hybrid products at separate sales events. The main customer benefit of selling hybrid products through one-stop shopping (Class 4) indicated by the providers is simultaneous product development:

> *"By ensuring that the insurance component is designed to complement the banking component, we provide customer with the best possible protection against risks. However, I want to emphasize that these components are always sold as optional."* (Interviewee 1)

Given the providers' declaration to development hybrid products solely based on retail customer needs, the value of these products to SMEs remains questionable. In addition, some interviewed SMEs felt that hybrid products are imposed to their company:

> *"As the CPI was used as a prerequisite for the acceptance of my credit application, I feel that hybrid products are just a mean for the provider to capitalize on the expense of small (corporate) customers."* (Interviewee D)

5. Discussion and implications

Aimed to determine how combined offerings are sold in the SME customer segment, our results anticipate a transition towards one-stop shopping and hybrid products in the provider side, but reveal SME customers as more reserved concerning these changes. Evading one-stop shopping, the SMEs rationalize the use of multiple providers by the importance of diversification, the perceived limitation of a single provider's capabilities, and switching costs. These findings are consistent with previous work in this field. Retail customers have been noted to avoid cross-buying due to fear of becoming dependent on one provider (Ngobo, 2004) and the perceived risk associated with the use of just a single provider has been used to explain SMEs tendency to use several banks (Lam and Burton, 2005). Questioning the bank's ability to act as an insurance provider or vice versa has been found to affect cross-buying: image conflicts and lack of confidence in bank's salespeople's knowledge and expertise in insurance products have been identified as barriers to the effectiveness of cross-selling in the existing research (Ngobo, 2004; Liu and Wu, 2007).

Additionally, previous research has indicated retail banking customers, even dissatisfied, to stay with a provider, or even be ‘trapped’ by their provider, due to substantial implicit costs of switching (Panther and Farquhar, 2004; Li *et al.*, 2005). The implications for service providers are twofold. On one hand, increasing the share of customer’s wallet can help to retain customers, as there is evidence that the more services a customer uses from the firm, the higher the costs of switching to other firms are (Kamakura *et al.*, 2003). On the other hand, as markets become saturated and highly competitive, the acquisition of new customers happens mostly at the expense of competitors (Kamakura *et al.*, 2003), and thus, high switching costs on the part of competitors limit the cross-selling opportunities of a given provider. Our results suggest that companies with no existing providers, i.e. start-up firms, are bound to be more interested in total financial service offerings. This may be partly explained by the absence of switching costs.

Although service providers indicate a growing interest towards provision of hybrid products in the SME segment in future, our findings portray that transition towards hybrid products is notably slower on the corporate side compared to retail customers. As hybrid products for the SME segment are planned to be simply transferred from the retail customer product portfolio, the consideration of the SMEs’ needs regarding these products can be questioned. Our results indicate that providers should focus more on the identification of SME segment specific customer needs, and that the development of hybrid products should aim to fulfil those needs. All in all, the customers’ view of the different aspects of combined offerings seemed to be more conservative compared to those of providers, a result quite expected in the light of the results pointing towards a strong emphasis on supply-driven environment.

Our study aimed to assess the customer value created through combined offerings. Consistent with earlier studies, our results suggest that competitive pricing and customer loyalty programs are the key value drivers of cross-buying. Good performance on payment equity (i.e. the customer’s perceived fairness of the price paid for each service) as compared to a competitor has been identified to have a positive effect on cross-buying (Verhoef *et al.*, 2001), and competitive pricing is implicated to be one of the key factors in maximizing the loyalty level among SME customers (Lam *et al.*, 2009). Although this suggests that low prices increase the customers’ cross-buying tendency, managers should be careful in attracting customers primarily with prices. Verhoef *et al.* (2001) note that given that customers seek to actively manage their payment equity, providers will find it hard to cross-sell higher priced services to make these customers more profitable, following that additional competitive pricing may be needed to avoid losing opportunities. Evidence suggests that customers acquired with low pricing tend to be ‘switchers’, and are inclined to defect when they receive attractive offers from competitors (Kamakura *et al.*, 2003; Verhoef and Donkers, 2005). Given competitive pricing and a variety of services offered to SMEs by rival banks, Lam and Burton (2005) conclude that switching behaviour is likely to remain a common practice among the SME segment, with the result that it will be difficult for banks to achieve higher levels of loyalty and share of wallet from their SME customers.

Considering customer loyalty programs, cross-buying has been found to be affected by marketing instruments such as loyalty programs applied during the relationship (Verhoef *et al.*, 2001). Furthermore, the benefits of using a single provider have been emphasized to be one of the most important predictors of customers' cross-buying potential (Ngobo, 2004). Ngobo (2004) claims that the existing relationships with the service provider does not matter a lot: competitors seeking to target existing customers with similar services can succeed if they offer significant one-stop shopping benefits and are trustworthy in the eyes of the customers. Controversially, Reinartz *et al.* (2008) suggest that relationships do matter. They argue that cross-buying is a consequence, not an antecedent, of behavioural loyalty, suggesting that providers should develop strong relationships with their customers prior to engaging in cross-selling. According to them, the objective of cross-selling should be to provide value, as perceived value (from the customers' perspective) creates strong relationships. Considering our results, the absence of loyalty programs may partly explain the SMEs tendency to favour separate providers. As a clear loyalty program may help with this phenomenon, its benefits could also counter the switching costs that seem to hinder SMEs from engaging in one-stop shopping.

As achieving 100 per cent banking loyalty and share of wallet from SME customers is perceived as difficult or potentially impossible (Lam and Burton, 2006), the question of how to make one-stop shopping successful among business customers remains intriguing. Based on our results, we argue that in order to achieve this goal, the importance of customer value in business-to-business context should not be underestimated by service providers. Implicating that providers should better recognize their customers' value expectations related to cross-selling of combined offerings in the SME segment, we suggest the following recommendations for the managers of financial enterprises:

1. Consider introducing new hybrid products for SME customers. Some hybrid products can be transferred from retail to SME customer offerings, but there are also interesting product possibilities solely for corporate customer use that are worth investigating.

2. Develop your one-stop shopping concept for SMEs by creating a customer loyalty program which rewards a customer company according to the use of multiple products in your total portfolio. To make one-stop shopping intriguing from the customer perspective, the customer should receive direct reward for tying their company more tightly into your financial group. The main principles of the loyalty program can correspond to those of retail customers, suitably adapted for the specific needs of this segment.

3. Communicate the usefulness of a single account manager for bank and insurance services to your SME customers. The account manager can reach and activate technical product experts effectively.

4. By enforcing target 3, engage your SME customers in your product and sales concept development across the business lines. This will help achieving targets 1 and 2.

6. Conclusions

This study focused on investigating how financial service providers cross-sell combined bank and insurance service offerings in the business-to-business context with the aim to increase understanding on the creation of customer value through cross-selling. Based on a literature review, we proposed a classification framework for the cross-selling of combined offerings, and used the framework to analyse interview-based data collected from eight financial service providers and eight of their SME customers. This study contributes to the ongoing discussion by focusing attention to customer value, which has not been subject to considerable attention in this context, and by extending the retail customer and single sector based view on cross-selling into the context of small corporate customers and cross-selling across banking and insurance sectors.

Our results indicate a shift from separate sales events towards one-stop shopping and from unilateral provision of non-related products towards consideration of hybrid products in the SME customer segment. These trends are not fully supported by the SMEs, who tend to acquire their banking and insurance services as non-related products from independent providers. Possible explanations to these customer preferences are the lack of customer loyalty programs in the business-to-business context, and the questionable value of the hybrid products, developed solely for retail customers, for SMEs.

The results provide detailed information about the current practices and future directions employed in the cross-selling of combined offerings in the SME segment, including perceived customer value divided into benefits and costs relating to the different sales approaches. This paper provides valuable insight on the drivers of customer value in business-to-business financial markets, offering services providers an opportunity to analyse their cross-selling strategies from the perspective of value created to their SME customers. The results indicate that providers should pay special attention to the recognition of customers' value expectations related to cross-selling of combined offerings.

This study was purposefully focused on b-to-b financial services and bound to SME customers, delimiting the generalizability of the findings. As the findings are based on a sample of service providers and SME customers within one country, the value attributes found in this study may vary in other markets or countries. As a methodological choice, we employed a qualitative approach, and used interviews as the main source of data. The approach is limited by the choice of firms, choice and number of informants, and the semi-structured interview method. In order to improve validity of the findings, we have discussed the context and choices, described the interview approach and protocol as transparently as possible, and used a systematic, structured approach to the data analysis.

During the study, we discovered potential topics for further research. As the importance of loyalty programs for small corporate customers significantly emerged from the results, further research on this topic is called for, including the content and functionality of such programs. Given that the transformation towards hybrid products was found to be slower among SMEs compared to retail customers, the possible explanations of this phenomenon provide a prominent ground for further investigation.

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Paper II

Service transition strategies in service-dominant settings

Valtanen, I.

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Paper III

Insurance for human capital risk management in SMEs

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INSURANCE FOR HUMAN CAPITAL RISK MANAGEMENT IN SMES

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Abstract
Purpose – The purpose of this paper is to analyze how insurance can be used in the management of human capital risks. The issue is highlighted in the context of small and medium-sized enterprises (SMEs).
Design/methodology/approach – Building on literature on intellectual liabilities, this paper provides a comprehensive picture of human capital related risks, emphasizing their effects on SMEs. The issue is analyzed empirically through a qualitative case study of an insurance company.
Findings – This paper divides the identified human capital risks into insurable and uninsurable risks, determining specific insurance solution for each insurable risk. Based on the results, pension, accident, health, life, liability and crime insurance are the most useful types of insurance for the management of human capital risks.
Research limitations/implications – The generalizability of the findings is limited by the methodological choice. As the study is conducted from the viewpoint of an insurance provider, it does not consider the effectiveness of the suggested insurance in practise. Thus, more empirical studies on the approach are called for.
Practical implications –This paper creates basis for the better recognition of the various human capital risks in companies and describes how insurance can be applied for the management of these risks.
Originality/value –In addition to considering human capital risks as an entity, this paper contributes to the research on knowledge asset protection by examining a practical risk management method for these risks. According to our knowledge, insurance have not been introduced in this context before.
Keywords Intellectual liabilities, Human capital, Knowledge asset protection, Insurance, SMEs
Paper type Case study

1. Introduction

It has been widely agreed that the elements of intellectual capital (IC or intangible asset) lay beyond the success of companies (see e.g. Edvinsson and Malone, 1997; Kujansivu and Lönnqvist, 2007; Sveiby, 1997). Most particularly human capital, defined as the individual's knowledge, experiences, capabilities, skills, creativity and innovativeness (Edvinsson and Malone, 1997), has long been argued to be a critical resource in most firms (Pfeffer, 1994). This is true especially in the context of small and medium-sized enterprises (SMEs), where the success of the company is based on the proficiency and motivation of the personnel (VTT, 2000). Although intellectual capital has attracted increasing research interest, it has mainly been seen as a value creating asset, and with few exceptions (Harvey and Lusch, 1997; 1999; Caddy, 2000; Stam, 2009) the risks or liabilities related to IC have not been extensively discussed in literature. This study explores the topic of intellectual liabilities from the perspective of insurance, focusing on their applicability on the management of human capital risks.

Just as intangible assets create value for the company, there are many things that create unrecorded and unrecognized intangible liabilities (Harvey and Lusch, 1999). Although some studies demonstrate the possibility of the existence of intellectual liabilities in the constitution of intellectual capital (Harvey and Lusch, 1999; Caddy, 2000; Kupi *et al.*, 2008; Stam, 2009), their importance still seems to be underestimated. However, it can be claimed that if the investments directed into IC can improve organization's productivity, losses related to the most important intangible assets, such as peoples' capabilities, are likely to pose a threat to the organization (Jääskeläinen, 2011). As some intangible assets, such as intellectual property rights, contracts, trademarks and logos enjoy legal protection (Harvey and Lusch, 1997), there is no such protection for intangible assets such as peoples' knowledge and skills. Vagueness of ownership increases the risk of human capital related losses, as human capital is clearly owned by individuals, not the company. Considering the issue in the context of SMEs, many authors have agreed that the loss of knowledge through employee turnover is an alarming issue especially for small businesses (Finn and Phillips, 2002; Wickert and Herschel, 2001; Wong and Radcliffe, 2000). Ignoring risks related to human capital can lead to considerable consequences regarding both the company's financial and intangible capital (Jääskeläinen, 2011), which is why the importance of managing these risks properly should be emphasized.

The starting point of this paper is the lack of knowledge regarding the management of IC risks. Although most of the human capital risks identified by Harvey and Lusch (1999) have not attracted research interest, some references related to the risks of employee turnover and knowledge loss can be found. Considering the identification and evaluation of these risks, tools such as the development of a knowledge management strategy (Stovel and Bontis, 2002), a relationship knowledge map (Durst and Wilhelm, 2010) and performance measures (Jääskeläinen, 2011) have been proposed. As the focus has mainly been on risk identification, further research is needed related to actual risk management methods. According to our knowledge, insurance have not been introduced in this context before. The purpose of this paper is to analyze how insurance can be used for the management of human capital risks. The issue is highlighted in the context of SMEs, as we argue that the effect of human capital risks increases as the size of the company decreases.

Building on literature on intellectual liabilities, the theoretical part of this paper provides a comprehensive picture of the possible human capital related risks, emphasizing their effects on SMEs. In addition to providing valuable insight into the current knowledge on the issue, this research adds to the discussion of knowledge asset protection by providing one practical tool for the management of these risks. The applicability of insurance for human capital risk management is analyzed through a qualitative case study of an insurance company. In the empirical part the insurability of each human capital risk is determined, and an insurance feasibility analysis is completed to specify suitable insurance for each insurable risk. The results suggest that most useful insurance for the management of these risks seem to be pension insurance, accident insurance, health insurance, life insurance, liability insurance and crime insurance. The paper is concluded by discussing the implications of the research for both academics and managers, and outlining study limitations and an agenda for further research.

2. Literature review

2.1. Intellectual capital risks

Intellectual capital consists of a number of various non-physical sources of value (see e.g. Edvinsson and Malone, 1997; Lev, 2001; Stewart, 2001). Edvinsson (1997) divides intellectual capital into human capital (individual’s knowledge, capabilities, skills, creativity and innovativeness) and structural capital, and defines structural capital to consist of customer capital and organizational capital. Sveiby (1997) classifies IC into individual competence, internal structure and external structure. Roos *et al.* (1997) divide intellectual capital into human capital (competence, attitude and intellectual agility) and structural capital (relationships, organization, and renewal and development). Following this, IC can be categorized into human related, organization related and external relations related capital (Lev, 2001), or more simply, into human, structural and relational capital (e.g. Bontis, 2002; Seetharaman *et al.*, 2004; Kujansivu, 2008).

The focus of this paper is on one of the most fundamental components of IC, namely human capital. As the elements of IC have been widely agreed to lie beyond the success of companies (see e.g. Edvinsson and Malone, 1997; Kujansivu and Lönnqvist, 2007), most particularly human capital has been argued to be a critical resource in organizations (Pfeffer, 1994). Company performance is increasingly evaluated in terms of creativity, innovation, quality and flexibility, and the role of people is being redefined when it comes to value creation (Afiouni, 2009). Knowledge is dependent on people, and human resource management issues such as recruitment, education and development, and pay and reward have been identified as vital for knowledge management within companies (Carter and Scarbrough, 2001; Currie and Kerrin, 2003). Employees are the major contributors to organization’s success (Abassi and Hollman, 2000), and if lost, their value to the organization is not easily replicated (Stovel and Bontis, 2002).

The importance of human capital for a company implies that attention should be paid also to the identification and evaluation of the possible human capital related risks or liabilities, defined by Stam (2009) as the causes of deterioration that arise from the human resources within the organization, the employees, their tacit knowledge, skills, experience and attitude. If investments directed into IC can improve organization’s productivity, it can be claimed that losses related to key intangible assets, such as peoples’ competence, are likely to pose a threat to the development of the organization (Jääskeläinen, 2011). In one of the first articles related to the issue, Harvey and Lusch (1999) argue that just as intangible assets create value for the company, there are many things that create unrecorded and unrecognized intangible liabilities. In an effort to identify the various IC related risks, they divide intellectual liabilities into internal and external liabilities, and more specifically classify them into process, human, informational and configuration related issues. Kupi *et al.* (2008) and Stam (2009) build on the work of Harvey and

Lusch (1999) by categorizing the risks into human, structural and relational liabilities, and identifying some additional intellectual liabilities. An overview of the possible intellectual capital related risks identified in the previous studies is presented in Table 1.

Table 1. Overview of possible intellectual capital related risks

Source	Human capital risks	Structural capital risks	Relational capital risks
Harvey and Lusch (1999)	– Turnover of employees – Inadequate training of employees – Discrimination among employees – Inexperienced top management – Offences committed by employees toward the company	– Weak R&D – Weak strategic planning process – Uncertainties related to R&D processes – Lack of innovations, patents and copyrights – Risks related to patenting	– Relational turnover – Bad word-of mouth – Poor product or service quality – Poor brand or corporate reputation – Low commitment/trust of subcontractors and distributors – Potential product liability suits
Kupi *et al.* (2008)	– Loss of competence / know-how – Limitation of competence – Problems with directing the competence – Unsuccessful recruitments – Attitudes towards expatriate assignments	– Inflexible organization structure – Insufficient information/knowledge structures – Unsupportive organization culture	– Risks related to strategic alliances – Insufficient networks – Dependency on subcontractors, distributors and/or customers
Stam (2009)	– Internal competition – Not-invented here syndrome	– Liability of newness – The liability of smallness – Group think – Top management homogeneity – Long management tenure – Past performance – Orphan knowledge – Cost of ignorance – Struggle for power – Organizational inertia – Organizational sclerosis – Knowing-doing gap	– Relational complexity

In their article, Harvey and Lusch (1999) presented four human capital related risks: high employee turnover, inadequate training and/or development of employees, discrimination among employees, and inexperienced top management. In addition, they mention offences committed by employees toward the company as a potential risk. Current research on the issue complements their list with the risks of loss of competence and/or know-how, limitation of competence, problems with directing the competence, unsuccessful recruitments, and attitudes towards expatriate assignments (Kupi *et al.*, 2008), in addition to the risks of internal competition and not-invented here syndrome (Stam, 2009). Two of the identified human capital risks, namely employee turnover and loss of competence, have attracted notable research interest especially in SME context. These risks are closely linked together, as the latter is usually due to the former, that is, competence is lost through employee turnover. Employee turnover can be defined as the rotation of workers around the labour market; between firms, jobs and occupations, and between employment and unemployment (Abassi and Hollman, 2000). Voluntary turnover occurs when employees decide to leave an organisation, whereas involuntary turnover reflects an employer’s decision to terminate the employment relationship (Stovel and Bontis, 2002). Involuntary turnover can also occur due to retirement, disease, accident or death (Shaw *et al.*, 1998). As the severity of these risks can be related to the size of a company, their effects on SMEs are discussed next.

2.2. The effects of human capital risks on SMEs

SMEs can be defined as companies employing less than 250 persons (European Commission, 2003). This research is tied to the context of SMEs because it can be argued that the effects of human capital risks increase as the size of a company decreases. Evidence to this can be found related to the risks of employee turnover and loss of competence. Excessive turnover can inflict direct and indirect costs, and have a negative effect on a company's productivity. Considering direct costs, turnover most probably inflicts replacement costs related to the search of a new employee, selection of the right employee among applicants, initiation of the new employment relationship, and training of the employee (Sutherland, 2002). Speaking of the indirect costs, turnover eliminates the organization's return on investment in the employee (Dess and Shaw, 2001) and may result in loss of some person-related business and relationships (Stovel and Bontis, 2002). In addition, it can damage the organization through decreased innovation, delayed services and sluggish implementation of new programs (Abassi and Hollman, 2000). There is also evidence that company's productivity may decrease in proportion to the lost skills, mainly due to the learning curve of the new employee in understanding the job and the organization (Dess and Shaw, 2001; Stovel and Bontis, 2002).

Loss of competence/know-how through employee turnover is an alarming issue especially for small businesses (Wong and Radcliffe, 2000; Wickert and Herschel, 2001; Finn and Phillips, 2002). Based on the human resource risk proposal by VTT (2000), losing a key employee may be a great risk for an SME as experienced persons posses plentiful of undocumented, implicit information about the business of the company, and the competitive advantage of the company may consist of this knowledge and know-how. This argument is supported in literature. The communication culture in SMEs is described as verbal and informal (Dalley and Hamilton, 2000), meaning that knowledge is usually passed on without any associated records or documentation (Wong and Aspinwall, 2004). Thus, key knowledge is normally not properly stored in a retrievable format for future use, but rather held in the minds of few key persons (Wong and Aspinwall, 2004). Shelton (2001) argues that until this knowledge has been made explicit or codified, the whole business is at the mercy of the health of the owner/manager and the career decisions of the key personnel.

Considering voluntary turnover in SMEs, there is evidence that employees frequently leave to work for larger companies in search of a higher salary and better prospects (Wong and Aspinwall, 2004). According to Penzer (1991), employees tend to use small firm to acquire skills, and then move to larger ones later. Regarding involuntary turnover, the occurrence of sickness, accidents or untimely death of key personnel limits the availability of their knowledge to the company. This has found to be threatening to a small firm depending on each and every employee (Wickert and Herschel, 2001). This view is also mentioned in the SME human resource risk proposal by VTT (2000), which notes that in smaller sized companies the absence of a single person may cause a threat or delay for business operations, and has an immediate effect on the workload of others. As the construction of new knowledge in SMEs seems to be less advanced than in large companies (McAdam and Reid, 2001), lost knowledge may not be easily replaced. One way of acquiring new knowledge is to hire or employ individuals with the required knowledge or to purchase knowledge assets such as patents, research documents or other intelligence (Wong and Aspinwall, 2004). However, as small businesses are often constrained by resource scarcity (OECD, 2002), this may be difficult.

Increasing the effects of employee turnover, Stovel and Bontis (2002) note that in addition to losing the human capital of the departing employee, companies face the potential risk of a competitor gaining this intellectual asset. Compared to large companies, SMEs' managers and employees tend to have closer and more direct contact with customers, and may know them personally (Haksever, 1996). As relational capital is more closely tied to individuals in smaller companies, employee turnover may also inflict a relational capital risk such as turnover of a customer, subcontractor or a distributor with the departing employee. In the worst case, a resigning employee can take a few other important employees with him/her to the rival company (Jääskeläinen, 2011).

2.3. Role of insurance in companies' risk management

Some practices related to human capital risk management can be found in literature related to employee turnover and knowledge loss. In an empirical study in the financial industry, Stovel and Bontis (2002) suggest implementation of a knowledge management strategy, by which the organization can protect itself from knowledge attrition. Considering knowledge loss in the context of a medium-sized enterprise, Durst and Wilhelm (2010) propose the development of a relationship knowledge map to help SMEs to identify key organization members and their relationships. Based on literature review and analysis, Jääskeläinen (2011) proposes performance measurement as a suitable tool for the evaluation of employee turnover. The current research on the topic can be perceived to have two substantial limitations. Firstly, only certain human capital risks have been considered in the research, and secondly, the attention has been limited mainly to the identification and evaluation of the risks. This research contributes to the ongoing discussion by considering the management of human capital risks as an entity, and focusing attention to an actual risk management method, namely insurance.

Insurance provide one practical tool for the management of human capital risks. The idea of insurance is to protect the financial well-being of a company in the case of unexpected loss. The main motivation for a company to purchase insurance is to protect itself against property/casualty losses and liability suits (Miller, 1992). Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. The primary function of an insurer is to compensate policyholders if a prespecified adverse event occurs in exchange for premiums paid by the policyholder (Saunders and Cornett, 2007). Thus, insurance companies underwrite risk in return for premium (Fabozzi *et al.*, 2009). The insurance industry is classified into two major groups: life and property-casualty. Life insurance provides protection in the event of untimely death, illnesses, and retirement, as property insurance protect against e.g. personal injury and liability due to accidents, theft, fire, and other catastrophes (Saunders and Cornett, 2007). There are different types of insurance for different types of risks, and insurance companies have also become active e.g. in providing retirement products (Fabozzi *et al.*, 2009).

3. Research design and methodology

The applicability of insurance for the management of human capital risks was analyzed through literature and empirical material from the insurance industry. Building on the literature on intellectual capital liabilities, the theoretical part of this paper focused on the identification of possible human capital related risks. Based on the identified risks, we empirically evaluated the possibilities for a company to protect itself from these risks with insurance through a qualitative case study of an insurance company. A case study, defined as an empirical enquiry that investigates a contemporary phenomenon within its real life context (Yin, 2003), is stated to be especially appropriate for exploratory research (McDermott, 1999). As this study explores a relatively new topic, namely intellectual liabilities, from the perspective of insurance, which have not been introduced in this context before, case study was considered as most appropriate approach for our research purposes.

One possible strategy for selecting a case is information-oriented selection, where the case is selected based on expectations about its information content in order to maximize utility (Flyvbjerg, 2006). Our case company is an insurance company operating in Finland and the neighboring countries. This specific company was chosen for two reasons. Firstly, we expected the company's insurance base to be applicable considering the nature of human capital risks. Secondly, we had good access to the company through the method of participant observation, as one of the authors of this paper is currently working in the company. As noted by Patton (1990) and Yin (2003), hallmark of case research is the use of multiple data sources. The empirical material utilized in this study consists of interviews and written documents including the company's sales material, detailed product descriptions and insurance specific documentation. The empirical analysis was completed in the form of insurance feasibility determination process following the practices of the case company.

The starting point of the process is a risk analysis, where the customer is interviewed in order to identify what risks are most serious in his/her company. For the purposes of this paper, we presented the case company with the human capital risks identified in literature, and documented the results of the insurance feasibility determination process through participant observation. In the first stage, the identified human capital risks were divided into insurable and uninsurable risks by the case company. In the second stage, sales material (brochures, insurance descriptions) of relevant insurance were investigated to identify the most suitable insurance solution for each insurable risk. The analysis was completed by comparing the insurable risks against the product portfolio of the case company. The insurance solution for each risk was found by screening the risk against all available life and non-life insurance products. This was accomplished by making an exhaustive list of the insurance products and using the product descriptions to validate their usefulness for managing these risks. In the third stage of the process, terms and conditions of the insurance were studied. These are basically the same for all customers, although some parameters can be chosen according to the customer's wishes and needs. As a result of the process, suitable insurance were determined for each of the insurable human capital risks.

4. Results

4.1. Insurability of the human capital risks

In the first stage of the process, the insurability of the identified human capital risks was determined. From the viewpoint of the insurance provider, insurable risks are ones that the insurance company is willing to insure, and uninsurable risks are risks for which it is very difficult or impossible to find insurance cover to mitigate the risk. For example, certain events and events about which the clients have beforehand information are uninsurable. To put it shortly, a risk which insurance companies do not accept to underwrite is uninsurable. Summary of the insurability of the risks defined by the case company representative is presented in Table 2.

Table 2. Summary of the insurability of the identified human capital risks

Insurable human capital risks	Uninsurable human capital risks
Turnover of employees	Inadequate training of employees
Loss of competence / know-how	Discrimination among employees
Limitation of competence	Problems with directing the competence
Inexperienced top management	Unsuccessful recruitments
Offences committed by employees toward the company	Internal competition
Attitudes towards expatriate assignments	Not-invented here syndrome

Out of the identified human capital risks, insurance can be applied to the management of employee turnover, loss of competence and/or know-how, limitation of competence, inexperienced top management, offences committed by employees toward the company and attitudes towards expatriate assignments. The risks of inadequate training of employees, discrimination among employees, problems with directing the competence, unsuccessful recruitments, internal competition and not-invented here syndrome were determined as uninsurable by the case company, and thus, insurance cannot be applied for these risks.

4.2. Determination of the insurance solution

During the following stages of the process, suitable insurance were determined for each insurable risk. The risk specific insurance are listed in Table 3, after which the practical implications of the insurance are explained. All insurance listed in the table are voluntary for a company.

As employee turnover is closely related to loss of competence, insurance applicable for these risks are analyzed jointly. Protection against competence loss through voluntary turnover (i.e. resignation) can be found through additional pension insurance that a company can take for its key personnel. In this context, the intent of the insurance is to increase the commitment of the employees to stay with the company. Pension insurance can be either an individual insurance (one person as insured) or a group insurance (a group of employees as insured). The idea of pension insurance is for the employer to accumulate an additional retirement allowance for the employee’s benefit. The insurance can be shifted into the employee’s possession with prespecified conditions, e.g. in five years or ten years, depending on the will of the company and the employee. This means that if the employee resigns before the specified time limit, only a part of the accrued financial benefit will be realized for him/her. Thus, the insurance provides a good incentive for the employee to keep working in the company for the pre-specified time, and accumulate his/her retirement allowance in the long term. The lack of compensation systems has been identified as one cause for voluntary turnover in organizations (Abassi and Hollman, 2000), and economic research has proven that investing in pay and benefits reduces voluntary turnover (Shaw *et al.*, 1998). Thus, as an additional compensation system, pension insurance can be expected to offer protection against voluntary turnover, and provide better grounds for the management to prepare for the timing of the possible occurrence of the turnover.

Table 3. Summary of the risk specific insurance for the insurable human capital risks

Human capital risk	Type of insurance
Turnover of employees Loss of competence / know-how	Pension insurance Accident insurance Health insurance Life insurance
Limitation of competence	Pension insurance
Inexperienced top management	Liability insurance Pension insurance
Offences committed by employees towards the company	Crime insurance
Attitudes towards expatriate assignments	Pension insurance Health insurance

Considering involuntary turnover, company can lose competence through five ways: dismissal of employees, retirement, disease, accidents, or untimely death (Stovel and Bontis, 2002; Shaw *et al.,* 1998). As the employer's decision to terminate employment relationship is a conscious decision, it is not considered here. Four different types of insurance were identified as suitable for providing protection against the other cases: pension insurance, accident insurance, health insurance and life insurance. Regarding retirement, pension insurance can be useful in providing incentive for the key person to accumulate additional working years, as explained above. Given that the personal expertise of the owners/managers or the key employees has often not been made explicit in SMEs (Shelton, 2001), delaying the retirement of these persons may prove to be important especially in smaller companies.

Regarding the occurrence of diseases or accidents that require medical care, health insurance and accident insurance provide some protection. With these insurance, the personnel will have fast access to private health care whenever needed. This way they will receive required health services without unnecessary delays and hold-ups. Thus, less valuable working time will be lost, and the personnel will benefit by receiving timely, high-quality care. As there is some evidence that employee absence due to sickness can be threatening to a small firm that depends on each and every employee (Wickert and Herschel, 2001), these insurance may be very useful for SMEs.

In the event of untimely death of a key person, life insurance provides some protection to the company by financial compensating the beneficiary defined in the insurance contract. Although life insurance does not provide explicit protection against the loss of undocumented knowledge and personal know-how of the person, it may ease the process of replacing the loss. The financial compensation may help the company with the costs Sutherland (2002) mentions to be associated to the recruiting and training new employees. In case of a loss of co-owner / business partner, life insurance can be tailored to pay off the heirs of the deceased, so that the ownership and future of the company will not be at risk. This may be perceived especially useful in SMEs with limited number of owners.

Regarding limitation of competence, some protection can be found through pension insurance. When existing owner/managers and/or key employees are starting to reach retirement, they may not be as active in developing their capabilities and know-how as before. In this case, company can offer the person in question a pension insurance that provides an opportunity for an early retirement with additional pension benefits. In this context, the intent of the insurance is to help the company to adjust its employee base to fit its competence needs. In order to decrease the risk of limitation of competence in the company, pension insurance can also be used as an incentive to attract potential new, competent employees. In this sense, the insurance is used as an incentive to attract and commit fresh talents to the company.

Considering the incompetence of the top management (e.g. inappropriate risk taking), the risk in most cases unfortunately non-insurable. To better manage this risk, the board of directors has the general responsibility to monitor the CEO's operations. Considering small businesses, the problem usually is that the managers of SMEs are often the owners who oversee every aspect of the operation and business (Wong and Aspinwall, 2004). In this case, it is likely that there is no board of directors monitoring the manager's action. The risk of inexperienced management can be managed to some extent with both liability insurance and pension insurance. The issue is however very delicate. If there is fear that the management will make decisions harming the company and making it liable for compensation, a liability insurance can help in protection against the risk. If management is inexperienced in the meaning of not being able to tackle new challenges of business because of old age and tiring, pension insurance is a good way to solve this risk, as explained above. This may be a timely issue considering the issue of generational changes in SMEs.

The negative effects of offences committed by employees towards the company can be controlled with crime insurance that protects the company from the financial risks related to the occurrence of the risk. Considering the risk of employees having negative attitudes towards expatriate assignments, the case may be very relevant for many internationalizing SMEs. The negative attitudes may be caused for example by a fear that the expatriate assignment may weaken the social security benefits of the employees. This can be balanced with a voluntary pension insurance paid by the company, assuring the employees that they will be compensated for their time abroad as beneficiaries of the insurance. Other additional cause of negative attitudes is the fact that health services in foreign countries are quite varying. Therefore expatriates may appreciate an additional health insurance that enables first class medical help in case of sickness or accident for them and their family.

5. Conclusions and discussion

This study analyzed the use of insurance in the management of human capital risks. Twelve possible human capital risks were identified in the literature, and the applicability of insurance for the management of these risks was empirically analyzed through a qualitative case study in an insurance company. This study has contributed to the ongoing discussion on human capital risk management by focusing on human capital risks as an entity, and extending the issue from risk identification and evaluation (e.g. Durst and Wilhelm, 2010; Harvey and Lusch, 1999; Jääskeläinen, 2011) into the context of practical risk management methods.

Our results suggest that pension, accident, health, life, liability and crime insurance provide potential solutions for the management of human capital risks. The rationale behind these insurance is twofold: some of the insurance function as pre-emptive risk management tools and incentives for a desired behavior, when others compensate policyholders in the occurrence of a prespecified adverse event. Out of these insurance, pension insurance seems especially prominent in the human capital risk context. Our analysis suggests that pension insurance can be used for the multiple purposes of increasing employee commitment to stay with the company, as a method of adjustment between the company's employee base and competence needs, as an incentive in the recruitment of new employees, and as an additional compensation benefit for the employees.

As managerial implications, the results of this study can be used as a means to identify and assess the possible human capital related risks within a company, and the proposed insurance may be considered as one concrete method or solution concept to manage them. The topic is vital especially for SMEs, where the owners/managers of smaller businesses often focus their attention on core business processes at the expense of other issues (Wong and Aspinwall, 2004). Compared to large companies with separate human resource and risk management units responsible for these issues, the management of human capital risks may be easily left unnoticed in SMEs. Although the issue was highlighted in the context of SMEs, all the proposed insurance are applicable also for larger companies.

Considering the various human capital risks as an entity ensures that all the aspects of the possible risks are accounted for, and the knowledge assets of the company are protected. However, as the nature of the identified risks is versatile, the overall insurance solution proposed for the management of the human capital risks consists of several different types of insurance. As such, the approach can be perceived as quite complex. Thus, the actual interest of SMEs for employing such a total insurance solution for human capital risk management is questionable. One prominent approach could be to assess the magnitude of each of the human capital risks separately, for example by following the process presented by Harvey and Lusch (1999), and insure only the risks perceived as most severe by the company.

It should be noted that as insurance provide one suitable option for risk management, there are also other ways for a company to manage its human capital risks. According to Wong and Aspinwall (2004), cross-functional training, job rotation and apprenticeships in order to share the knowledge are ways to protect the company against knowledge loss. They also note that offering non-financial incentives, recognizing employees' contributions, fostering esprit de corps, empowering, giving freedom to apply ideas and providing work challenges may outweigh the importance of other tangible offerings. This is interesting, as the logic of the suggested pension insurance is to provide financial compensation for the beneficiaries.

Following research limitations can be identified. Our qualitative case study approach is limited by the choice of the firm and the country of choice. Considering the choice of the firm, the products of different insurance companies are in general relatively similar, and thus, the insurance specified during the process are also provided by other insurers in the market. However, as regulation and legislations regarding insurance differs across countries, it should be noted that our analysis was completed in Finnish setting, limiting the generalizability of the findings to such a context. Using multiple cases within and across markets would enable a broader exploration and a more robust view of the phenomenon (Yin, 2003), and augment the external validity of the research (Voss *et al.*, 2002). Additional limitation is the employment of participant observation. As one of the authors is employed by the case company, the challenges of observer bias and maintaining objectivity despite of being and insider are evident in the research. In order to increase the validity of the findings, multiple means of data collection were employed (Baxter and Jack, 2008), and the insurance feasibility determination process was described as transparently as possible.

Based on this research, it can be argued that knowledge asset protection is an important issue for companies, and as Stam (2009) suggests, more research effort should be focused on developing concrete methods that support the management of these risks. In spite of the limitations of this study, we propose insurance as one prominent approach for human capital risk management. Given the viewpoint of this study was that of an insurance provider, the issue should be further explored among SMEs focusing on the effectiveness of these insurance in practice. Considering the immaterial and non-physical nature of human capital, it would be interesting to investigate how these assets and the related risks are valued in monetary terms. This could include the assessment of the SMEs' willingness to invest in the insurance premiums related to these risks, and investigating if the compensations paid by the insurers are actually sufficient compared to occurring losses. In addition to human capital risks, insurance can be used for many other purposes in SME risk management, and the applicability of insurance for relational and structural capital risks could provide an interesting agenda for further research.

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Paper IV

Drivers of cross-sectoral cross-buying among business customers

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DRIVERS OF CROSS-SECTORAL CROSS-BUYING BEHAVIOUR AMONG BUSINESS CUSTOMERS

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Abstract

Purpose – This paper examines the extent of and key determinants for bank and insurance provider selection and usage by business customers from small to medium-sized enterprise (SME) segment, thereby aiming to increase understanding of the drivers of customers' cross-buying behaviour across these financial service sectors.

Design/methodology/approach – Semi-structured interviews were carried out with key decision makers from 22 SMEs within one country. Content analysis was employed to analyse the data.

Findings – Empirical findings suggest use of multiple banks as the norm among SMEs, whereas insurance are dominantly purchased from a single provider. As SME customers appear to prefer using separate, independent providers for their banking and insurance services, absence of customer loyalty programs, unfavourable pricing of the total offering and image conflicts were identified as main factors limiting the willingness to cross-buy across these financial services sectors.

Research limitations/implications – This qualitative research is focused on financial industry within one country and bound to smaller business customers, limiting the generalisability of the findings.

Practical implications – The results implicate that in order to succeed in cross-selling bank and insurance services in the SME segment, financial service providers should improve their cross-selling concepts by creating customer loyalty programs that would reward customer companies according to the use of multiple products in their total portfolio.

Originality/value – This study is the first to describe the customer perceived drivers of cross-buying bank and insurance services from the same service provider in the business-to-business context.

Keywords Cross-buying, one-stop shopping, financial services, SMEs

Paper type Research paper

1. Introduction

Cross-selling, and consequently cross-buying, is receiving considerable attention in both research and management in the financial services industry. Denoting to terms such as 'bancassurance' and 'allfinanz', i.e. the sales of insurance products by banks (Bergendahl, 1995; Flur *et al.*, 1997), and on the other hand 'assurfinance', i.e. the sales of financial products by insurance companies (Benoist, 2001; Van der Berghe and Verweire, 2001), changes in the market such as deregulation and increasing competition have driven the once traditional financial service providers towards increasing provision of integrated financial services, that is, offering their customers a seamless service of banking, investment and insurance products (Ryan, 2001, Van der Berghe and Verweire, 2001; Hislop *et al.*, 2002). As a result, majority of today's financial players have been claimed to practice one or another type of cross-selling (Benoist, 2001; Ryan, 2001; Van den Berghe and Verweire, 2001; Jarrar and Neely, 2002; Ngobo, 2004), more often across the financial service sectors.

Matching this real-world development, a wide range of marketing literature has appeared on the subject. A number of studies have demonstrated the benefits of cross-selling, such as decreased customer acquisition expenditures (Reicheld and Sasser, 1990; Vyas and Math, 2006), lowered customer resistance to further sales propositions (Ngobo, 2004) and higher levels of customer retention, revenues, share of wallet, and/or greater profits (Vyas and Math, 2006; Reinartz *et al*., 2008) to financial service providers. Consequently, increasing research interest has been directed on investigating methodologies for efficient identification of cross-selling prospects (Kamakura *et al.*, 1991; 2003; Harrison and Ansell, 2002; Knott *et al.*, 2002; Lymberopoulos *et al.*, 2004; Ansell *et al.*, 2007), analyzing the predicted sequence of financial service acquisition (Kamakura *et al.*, 1991; Li *et al.*, 2005) and identification of specific target customer segments for cross-selling (Kamakura *et al.*, 1991; Lymberopoulos *et al.*, 2004; Li *et al.*, 2005; Ansell *et al.*, 2007; Liu and Wu, 2008).

On the other hand, success in cross-selling, that is, promoting additional products and/or services to existing customers in addition to the one(s) that a customer currently has (Butera, 2000; Ansell *et al.*, 2007) can be attained only if customers are willing to cross-buy; by definition, cross-selling requires wider customer acceptance of buying different products and/or services from the same provider (Ngobo, 2004). Thus, substantial efforts have been directed in investigating cross-buying in association with the different facets of customer satisfaction and loyalty (e.g. Verhoef *et al.*, 2001; 2002; Ngobo, 2004; Liu and Wu, 2007; Soureli *et al.*, 2008; Liang and Chen, 2009). Considering cross-buying as a consequence of behavioural loyalty, these studies have yielded various results on the effects of factors such as customer satisfaction (Verhoef *et al.*, 2001, 2002; Ngobo, 2004; Li *et al.*, 2005), commitment (Verhoef *et al.*, 2001, 2002; Liang and Chen, 2009) and trust (Liu and Wu, 2007; Soureli *et al.*, 2008) on customers' cross-buying intentions.

Although numerous, literature on cross-buying can be noted to have certain limitations in relation to integrated financial services. For instance, even though the impact of the above-mentioned antecedents on cross-buying is to a large extent clear, notably less is known about the individual factors that make customers buy additional financial services from their existing provider (Reinartz and Kumar, 2003; Lymberopoulos *et al.*, 2004; Ngobo, 2004). On most parts, the literature seems to somewhat commonly believe that customers prefer one-stop shopping and are willing to buy different types of financial services from a single provider (Benoist, 2002; Lee and Marlowe, 2003; Vyas and Math, 2006). This phenomenon is mainly explained through creation of customer value, as multiple benefits have been suggested in relation to cross-buying (e.g. Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007; Soureli *et al*., 2008). However, factors that limit customers' willingness to cross-buy have for some reason received notably less attention in literature.

Furthermore, aside from few examples (Verhoef *et al.*, 2001; 2002; Ngobo, 2004), studies on cross-buying tend to focus primarily within a single financial sector (e.g. Verhoef and Donkers, 2005; Liu and Wu, 2007; Jeng, 2008; Soureli *et al.*, 2008; Liang and Chen, 2009), somewhat ignoring the undisputed growth in the cross-selling of integrated financial services, bancassurance and allfinanz (Robson, 2011).Therefore, although some attention has been paid on the drivers of customers' cross-buying behaviour (Ngobo, 2004; Jeng, 2008; Soureli *et al.*, 2008), knowledge on the factors that encourage or discourage customers to buy integrated financial services from a single provider, including their attitudes on the value they would gain from this behaviour, is still very limited. Given these shortcomings, it can be claimed that more empirical investigations on the topic are called for; the need for more and better research has been recently emphasized for example by Kamakura *et al.*, (2003), Ansell *et al.* (2007) and Reinartz *et al.* (2008), who consistently point out the scarcity of academic studies in this domain.

Notable differences are observable also in relation to the inclusion of different customer segments in the cross-buying literature. Even as the trend towards integrated financial services is clearly observable also in the business-to-business financial services (Van der Berghe and Verweire, 2001; Hislop *et al.*, 2002), existing research in the industry has focused almost exclusively on retail customers. Given the strong retail focus, business customers, who have been suggested to offer great profit opportunities (Zineldin, 1995), and especially small and medium-sized enterprises (SMEs), implied as one of the most profitable and growing customer segment for banks (Connolly, 2000), have been noted to be underemphasised in the research in this sector (Lam *et al*., 2009).

Nonetheless, the drivers of cross-sectoral cross-buying behaviour can be argued to be especially intriguing in the business-to-business context. Even though business customers have been suggested as a prominent segment for bancassurance (Van der Berghe and Verweire, 2001; Hislop *et al.*, 2002), by far, banks success in selling corporate insurance has been notably poor (Voutilainen, 2005). In addition, empirical evidence clearly suggests that preference towards cross-buying cannot be taken for granted among business customers: recent studies within banking sector have yielded conflicting results on SMEs' bank usage and loyalty behaviour (see e.g. Trayler *et al.*, 2000; Lam and Burton, 2005; 2006) and suggested SMEs to actively choose not to use exclusively one financial service provider (Lam *et al*., 2009). As achieving 100 per cent banking loyalty and share of wallet from SME customers is perceived as difficult or potentially impossible (Lam and Burton, 2006), the question of how to make the provision of integrated financial services successful among business customers remains intriguing. So far, SMEs' cross-buying behaviour in relation to purchasing integrated financial services from a single provider has not been subject to research.

This is where this paper makes its contribution. As the first paper to describe the customer perceived drivers of buying integrated financial services from the same service provider in the business-to-business context, this study focuses on investigating the SME customer sector in Finland where, likewise in many European counterparts, as many as 99.8 % of all businesses are SMEs (Statistics Finland, 2010), making the topic of critical interest to business-to-business financial service providers. Contributing to the existing research, this study investigates the extent of and the key determinants for financial service provider usage and selection by SMEs with the aim to identify the value drivers of cross-sectoral cross-buying behaviour in this customer segment. Among business customers, SMEs are particularly appropriate for these research purposes, as in smaller companies the business owner typically controls the choice of financial service providers in contrast to larger organisations, where multiple decision makers make investigating the reasons for choice of providers more problematic (Lam and Burton, 2006).

Focusing on customer perceptions, the results of this study describe the perceived benefits and costs / sacrifices based on which SMEs discriminate among competing financial service providers, banks and insurance companies alike, and thus, create basis for broad-based financial institutions to better recognise their small business customers' expectations and requirements related to cross-buying integrated financial services in Finland and comparable European markets. As such, this study is the first to show how smaller business customers perceive the value of cross-buying of bank and insurance services from the same provider, presenting a reminder to managers about the importance of recognizing their SME customers' value expectations. By understanding the determinants of cross-buying behaviour, financial service providers can identify the issues that must be addressed in order to enhance cross-buying activity in their customer base (Ngobo, 2004; Vyas and Math, 2006; Soureli *et al.*, 2008); thus, increased knowledge in this connection may significantly help providers in the formulation of their relationship management and cross-selling strategies.

The paper is structured as follows. First literature on cross-buying and its drivers in the financial services industry is addressed. After this, the research methodology is described, and the research results are presented. Finally, the implications of the research are discussed, and the paper is concluded by outlining the study limitations and directions for future research.

2. Cross-sectoral cross-buying in the financial services industry

2.1 The concept of integrated financial services

In order to study cross-sectoral cross-buying within the financial services industry, the basic terms need to be clearly defined. In the context of financial services, cross-sectoral cross-selling, and hence, cross-buying, is closely related to the phenomena of financial convergence. Financial convergence can be defined as the blurring of conventional boundaries of the once discrete financial sectors with the intent to offer customers a portfolio of integrated financial services (Ryan, 2001), and is used in literature as a general term relating to all types of interfaces between financial service providers and the demand of all types of financial services (Van der Berghe and Verweire, 2001). In essence, cross-sectoral convergence is effectively redefining the basic roles played by traditional financial service providers, as it is occurring across the traditional market sectors of banking, investment and insurance to create financial conglomerates (Ryan, 2001), a term of which is used to denominate groups formed by different types of financial institutions, such as banks, investment institutions and insurance companies (Van der Berghe and Verweire, 2001; Hislop *et al.*, 2002).

Closely connected financial convergence, terms such as 'bancassurance' and 'allfinanz' are often used to denote to the activity of banks selling insurance products traditionally provided by insurance companies (Bergendahl, 1995; Flur *et al.*, 1997; Van der Berghe and Verweire, 2001).

The opposite trend of insurance companies selling financial products usually provided by banks is referred to as 'assurfinance' (Benoist, 2001; Van der Berghe and Verweire, 2001). Bancassurance, allfinanz and assurfinance are all encompassed in the term 'integrated financial services', which refers to a financial conglomerate offering a seamless service including banking, investment and insurance products (Hislop *et al.*, 2002). Provision of integrated financial services is often connected to the concept of 'one-stop shopping', which can be defined as offering customer as many banking, investment and insurance products as possible at one place during one customer service event with the aim to compose a comprehensive 'total' solution for all the customer's financial service needs (Benoist, 2002; Ngobo, 2004; Korhonen and Voutilainen, 2006).

Financial conglomerates often include units like mutual fund management companies, asset management companies and securities brokerages. However, in most European countries banks are allowed to be 'universal', meaning that it is customary that they include the above mentioned functions (Van der Berghe and Verweire, 2001; Voutilainen, 2005). As this applies in the research context of this study, the rest of the paper refers to two wider financial services categories: 'banking' and 'insurance'. In this classification, all investment functions are included in the banking services category. Furthermore, the insurance industry is classified into two major groups: life and property-casualty. As the products and services of a life insurance company provide protection in the event of untimely death, illnesses, and retirement, the products and services of a property-casualty insurance company are used to protect the policyholder against personal injury and liability due to accidents, theft, fire, and other catastrophes (Saunders and Cornett, 2007).

2.2 Cross-buying in the financial industry

Although cross-selling and cross-buying have in general been observed as a relatively underemphasised area in the academic research (Reinartz *et al.*, 2008), a growing emphasis is being placed on these issues in the financial services industry. In this context, cross-buying is defined as the buying of different products from the existing provider in addition to the ones the customer currently has (Ngobo, 2004) or as the number of products acquired from the same provider over time (Verhoef *et al.*, 2001; Soureli *et al.*, 2008). As this study is conducted from the viewpoint of cross-sectoral cross-buying, the term is used in relation to buying both banking and insurance products from the same financial services provider. Table 1 summarises the existing research on cross-buying in the financial industry.

Although some debate remains as to whether cross-buying is an antecedent or a consequence of behavioural loyalty (e.g. Reinartz *et al.*, 2008), research in this industry has a tendency to investigate cross-buying as a consequence of such behaviour, implying that behavioural loyalty drives the number of products a customer buys from the same provider. All the listed studies have been completed on retail customer settings, and they have investigated cross-buying mainly within an individual financial sector, i.e. either within banking, investment or insurance. Only few studies employed data on customer attitudes towards buying insurance from banks (Ngobo, 2004) or vice versa (Verhoef *et al.*, 2001; 2002).

Table 1. Review of empirical cross-buying research in the retail financial industry

Reference	Focus	Data specification	Findings
Hitt and Frei (2002)	– Value sources of online distribution channels for service providers	– Cross-buying (IV) – Customer buying behaviour (asset and liability adoption, number of products) (DV)	– Customers adopting PC banking are more profitable, principally due to unobservable characteristics extant before the adoption
Jeng (2008)	– Customer trade-offs in cross-buying consideration	– Corporate reputation, personal relationships, competitors' prices, product variety (IV) – Cross-buying intention (DV)	– Corporate reputations and interpersonal relationships contribute significantly to cross-buying intention
Li *et al.* (2005)	– The sequential acquisition patterns of financial services	– Satisfaction, switching costs, ownership and transaction data, demographics (IV) – Cross-buying sequence (DV)	– Customer satisfaction and switching costs have a significant influence on cross-buying
Liang and Chen (2009)	• The influence of online relationship marketing on consolidating online customer-provider relationships	• Relationship bonds (financial, social and structural bond), satisfaction, commitment (IV) • Customer loyalty, frequency of usage of services over time, cross-buying (DV)	• Online financial bond is the most important attribute enhancing customer loyalty • Online structural bond contributes to the frequency of usage of services and cross-buying intentions
Liu and Wu (2007)	– An integrated model for the antecedents of customer retention and cross-buying	– Locational convenience, one-stop shopping convenience, satisfaction, trust, firm reputation, firm expertise, relationship length (IV) – Retention, cross-buying (DV)	– One-stop shopping convenience, firm reputation, firm expertise and trust have a significant impact on cross-buying
Ngobo (2004)	– Drivers of customers' cross-buying intentions for services	– Service quality, perceived value, perceived convenience, satisfaction, switching costs, repurchase intention, image, previous experiences with service providers (IV) – Cross-buying intentions (DV)	– Perceived one-stop shopping convenience and image conflicts are the most important predictors of customers' cross-buying potential – Previous service experience has a marginal effect on cross-buying
Verhoef and Donkers (2005)	– The impact of acquisition channels on customer loyalty and cross-buying	– Acquisition channel, buying behaviour, customer characteristics (IV) – Loyalty, cross-buying (DV)	– The effect of the utilised acquisition channel on cross-buying is weak – Cross-buying is mainly affected by marketing efforts during the relationship
Verhoef *et al.* (2001)	– The impact of customer satisfaction and payment equity on cross-buying	– Satisfaction, payment equity, relationship duration, marketing instruments, demographics (IV) – Cross-buying (DV)	– The effect of satisfaction differs depending on the relationship length – Payment equity negatively affects cross-buying in long customer relationships
Verhoef *et al.* (2002)	– The effect of relational constructs on cross-buying	– Trust, commitment, satisfaction, payment equity, relationship age (IV) – Cross-buying (DV)	– The impact of satisfaction with and commitment to cross-buying increases with relationship age
Soureli *et al.* (2008)	– Equation model of factors affecting cross-buying	– Perceived value, satisfaction, image, trust (IV) – Cross-buying intention (DV)	– Image and trust are central in the formation of cross-buying intention

Notes: IV = independent variable, DV = dependent variable

The literature approaches cross-buying from the perspective of relationship marketing, discussing the issue in relation to the different facets of customer satisfaction and loyalty. In general, the studies yield various results on the effects of factors such as customer satisfaction

(Verhoef *et al.*, 2001, 2002; Ngobo, 2004; Li *et al.*, 2005), commitment (Verhoef *et al.*, 2001, 2002; Liang and Chen, 2009) and trust (Liu and Wu, 2007; Soureli *et al.*, 2008) on customers' cross-buying intentions. Interestingly, the results of the studies are on some parts contradictory. For example, as Verhoef *et al.* (2001) argue that satisfaction has no effect on cross-buying, Li *et al.* (2005) name satisfaction as the most significant contributor of cross-buying intentions. Even though Verhoef *et al.* (2001) suggest that customers that perceive the provider is offering low prices are more likely to cross-buy, Jeng (2008) claims that in fact, customers place more importance on product variety than on price when considering cross-buying. Soureli *et al.* (2008) agree with Verhoef *et al.* (2001) by indicating that customers would not cross-buy simply because they are satisfied, but disagree on the importance of pricing, claiming that customers do not cross-buy just because their provider offers the most competitive terms. Even though cross-selling is in general considered to forge stronger customer relationships, Verhoef *et al.* (2001) and Ngobo (2004) indicate that the current relationship is in fact not a good indicator of cross-buying potential, and therefore, does not matter. Although long-term relationships are generally accepted to reduce customers' switching behaviour, Ngobo (2004) indicates that long-term customers may still switch if offered a significant amount of convenience and trust by a competing provider.

2.3 Drivers of cross-buying behaviour

One-stop shopping, a term frequently used in accordance to cross-sectoral cross-buying in the financial services industry, has become a dominant cross-selling method in the financial sector (e.g. Kamakura *et al*., 2003; Ngobo, 2004). Perhaps due to the extensive focus on retail customers in the literature, it is somewhat commonly believed that customers prefer one-stop shopping and are willing to purchase different types of financial services from the same provider (Benoist, 2002; Lee and Marlowe, 2003). Research on the drivers of customers' cross-buying intentions (e.g. Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007; Jeng, 2008; Soureli *et al*., 2008) explains this phenomenon through creation of customer value.

Marketing literature pays particular attention to customer value because of its potential impact on customer behaviour and, ultimately on provider performance (Ruiz *et al*., 2008). In business-to-business markets, customer perceived value is often defined as the trade-off between the multiple benefits (what the customer receives) and costs or sacrifices (what the customer gives up to acquire or use a product or service) of the provider's offering perceived by the key decision makers in the customer's organisation, and taking into consideration the available alternative suppliers' offerings in a specific-use situation (Ravald and Grönroos, 1996; Ulaga and Chacour, 2001). The main research findings regarding the drivers of retail customers' cross-buying behaviour in the financial industry are summarised in Table 2.

Multiple benefits, such as competitive pricing (Ngobo, 2004; Liu and Wu, 2007; Soureli *et al.*, 2008), the ability to satisfy majority of the customer's needs through a wide selection of services provided through one-stop shopping (Ngobo, 2004; Liu and Wu, 2007), time and effort savings (Ngobo 2004, Liu and Wu, 2007), firm expertise (Liu and Wu, 2007) and corporate reputation (Soureli *et al.*, 2008) have been suggested in relation to buying different types of financial services from the same provider. For some reason, the costs or sacrifices limiting customers' willingness to do so have received less attention in the literature; the costs of one-stop shopping have mainly been linked to perceived switching costs and image conflicts of banks selling insurance (Ngobo, 2004).

Table 2. Drivers of retail customers' cross-buying behaviour

Driver	Findings	Reference
Acquisition channels	– Acquisition channels used have some, albeit weak, effect on cross-buying	Verhoef and Donkers (2005)
	– Customers using online channels appear to acquire products at a slightly faster rate compared to offline customers	Hitt and Frei (2002)
Competitor's prices	– If the focal supplier's prices are perceived as fairer than the prices of the competitor, the probability of cross-buying increases	Verhoef *et al.* (2001)
	– The more superior the price offered by competing suppliers relative to that provided by the focal supplier, the lower the customers' cross-buying intentions	Jeng (2008)
Competitor's product variety	– The higher the degree of product variety offered by competing suppliers, the lower the customers' cross-buying intentions	Jeng (2008)
Corporate reputation	– Corporate reputation has a significant impact on cross-buying	Liu and Wu (2007)
	– The better the company's reputation, the higher the customers' cross-buying intentions	Jeng (2008)
Image	– The greater the customers' image conflicts about the service provider's capabilities, the lower their cross-buying intentions	Ngobo (2004)
	– Corporate expertise has a direct effect on customers' cross-buying	Liu and Wu (2007)
	– Corporate image is central in the formation of cross-buying intentions	Soureli *et al*. (2008)
Marketing instruments	– Direct mailings and loyalty programs affect cross-buying positively	Verhoef *et al*. (2001)
	– Cross-buying is affected mainly by marketing efforts, e.g. mailings, loyalty programs, applied during the relationship	Verhoef and Donkers (2005)
	– Direct mailings have a positive effect on cross-buying	Liu and Wu (2007)
One-stop shopping convenience	– The perceived convenience of one-stop shopping is positively associated with cross-buying intentions	Ngobo (2004)
	– One-stop shopping convenience has a direct effect on cross-buying	Liu and Wu (2007)
Payment equity	– Payment equity has no main effect on cross-buying; it may negatively affect cross-buying for customers with long relationships	Verhoef *et al*. (2001)
	– Payment equity is positively related to cross-buying	Verhoef *et al*. (2002)
Perceived value	– Although perceived value is associated with cross-buying, it is not an important incentive for cross-buying	Ngobo (2004)
	– Perceived value has no direct impact on customers' cross-buying intentions	Soureli *et al*. (2008)
Personal relationships	– Interpersonal relationships between customers and salespersons contribute significantly to customers' cross-buying intentions	Jeng (2008)
Structural bonds	– Structural bonds increase customers' likelihood of expanding their relationship through cross-buying	Liang and Chen (2009)

As these customer benefits have been proposed mainly in retail settings, they provide little evidence on the drivers of cross-buying among SME customers. Nevertheless, focusing on banking loyalty and share of wallet among business customers, the drivers of SMEs' bank usage behaviour have been recently investigated in several countries (Trayler *et al*., 2000; Lam and

Burton, 2005; 2006; Lam *et al*., 2009). These studies show a notably high proportion of split banking (i.e. use of more than one bank) and bank switching behaviour by SMEs in Hong Kong (Burton and Lam, 2005) compared to Australia and USA (Trayler *et al.*, 2000). Specialised banking skills, perceived risk and better negotiation position have been suggested to influence the choice to use more than one bank (Lam and Burton, 2006), as willingness to accommodate credit needs, efficiency in daily operations, personal banking relationship and convenient location have emerged as the key determinants of bank selection and retention in the studies (Trayler *et al.*, 2000; Lam and Burton, 2005). As these studies focus solely on banking, they do not provide evidence on SMEs' insurance provider usage behaviour. However, revealing conflicting results on SMEs' bank usage and describing SMEs as reluctant towards using exclusively one provider (Lam *et al*., 2009), the findings clearly suggest that preference towards cross-buying cannot be taken for granted among business customers.

3. Research methodology

Due to the explorative nature of the study, a qualitative research approach was employed, based on collecting interview based data with key informants among business customers of financial service providers. The investigation was centred on small and medium sized enterprises, seeking for companies that are currently in a relationship with a financial institution proving both banking and insurance services. In this study, SMEs are classified based on their annual revenue in Euros as micro (≤ 2 M), small (≤ 10 M) and medium-sized (≤ 50 M) enterprises (European Commission, 2011). The target companies were contacted through financial institutions and a national entrepreneur organisation. The sampling process ceased when saturation was reached, which was indicated by information redundancy. The final sample consisted of 22 SMEs located in Centre and Southern Finland. Table 3 describes the target firms and interviewees.

Table 3. Target firms and interviewees

Target companies	- 9 micro companies (companies A - I) - 9 small companies (companies J - R) - 4 medium-sized companies (companies S - V)
Average years of business	26.8 (2-56 years; SD 15.2)
Industry	- Manufacturing industry (11 companies) - Service industry (11 companies)
No. of interviews	25 (1-2 per company; 1-2 persons each)
Interviewees	- 2 entrepreneurs - 5 financial managers - 18 general managers / managing directors
Interview durations	27 - 70 minutes (avg. 53 min.)

The interviewees were chosen on the basis of having the authority to select and monitor the company's relationships with the financial service provider/s. A semi-structured interview protocol composed of three sections was used in the interviews. In the first section, the respondents were asked about their company's bank selection and usage behaviour. The second part covered the companies' insurance provider selection and usage behaviour. In the third part, the respondents were asked to describe perceived value drivers of cross-buying bank and insurance services from the same provider. In these question areas, the interviewees were allowed to tell their own story of the firm's current ways of operating, and the interviewer prompted with more detailed questions upon need. To facilitate the process, the participants were asked to describe activities between financial service provider/s and their company, which in turn allowed the interviewer to probe the different benefit and cost dimensions perceived in the relationship/s. All interviews, conducted face-to-face in the interviewee's job location, were tape-recorded and fully transcribed.

Data analysis was carried out using traditional steps in the analysis of qualitative data (Miles and Huberman, 1994). First, the interview transcripts were reviewed to highlight important issues and patterns in data. Next, data extracts were gathered into an initial categorisation table, relating to the structure of the interview protocol and adhering to new themes that emerged in the interviews. Finally, content analysis was used to systematically evaluate the content of the transcripts (Kolbe and Burnett, 1991) in order to identify core consistencies and meanings (Patton, 2002). A number of themes were identified from analysing the interviews, and they were then coded following the approach suggested by Miles and Huberman (1994). The coding was completed manually by going through the transcripts and marking of units that cohered, i.e. assigning units of meaning to words, phrases, sentences, or whole paragraphs within the transcripts that were connected to a specific theme. The themes that emerged from analysing the qualitative responses from the interviews were classified into three categories: current financial service provider usage behaviour, reasons for financial service provider selection and the drivers of cross-buying behaviour. The key factors identified from the analysis of the interviews are discussed below under these three categories.

4. Results

4.1 Financial service provider usage behaviour

Interviewees were asked to provide information relating to the number of banks and insurers their company is currently using, and to describe their relationship with the provider/s. The information was grouped under three themes: 'loyalty' towards the service provider (use of single/multiple providers), switching behaviour (relationship length with current provider) and extent of usage of the provider's services (services classified into banking, life insurance and property-casualty insurance). The results are presented in Table 4.

Table 4. Financial service provider usage behaviour

Information on bank usage	
Single bank (%)	23 % (5 companies)
Two or more banks (%)	77 % (17 companies)
Average time with main bank (years)	15.5 (SD 14.5 years)
% of firms that have changed banks in the last three years	27 % (6 companies)
Information on insurance provider usage	
Single insurance provider (%)	91 % (20 companies)
Two or more insurers (%)	9 % (2 companies)
Average time with main insurance company (years)	9.3 (SD 10.9 years)
% of firms that have changed insurer in the last three years	45 % (10 companies)
Cross-buying of banking and insurance services	
% of firms having independent bank and insurance service providers	68 % (15 companies)
% of firms acquiring life insurance through their main bank	18 % (4 companies)
% of firms acquiring all financial services from a single provider	14 % (3 companies)

Regarding loyalty towards the financial service provider, the results reveal a notable difference in SMEs' bank and insurance provider usage behaviour; as use of multiple banks appears to be the norm among SMEs, insurance are dominantly purchased from one provider. Use of more than one bank was practiced by 77 per cent of the interviewees. Regardless of the number of banks used, all SMEs identified a clear main bank, described as the one they obtain credit and deposit most of their cash, and/or have the longest relationship with. Additional banks served mostly as account banks, and were used to provide flexible service to the SMEs' own customers and/or to obtain increased negotiation power:

> *"We do most business with our main bank. The other banks act mainly as account banks, which we use as many of our customers prefer to make their payment transactions there."* (Company M)

> *"We use multiple banks to maintain competitiveness; our main bank has continuously been willing to negotiate the pricing terms of our credit applications to match competing offerings."* (Company S)

Only five of the SMEs used exclusively one bank. Preference towards having a single provider was mainly explained by the limited number of services used:

> *"Our service needs are quite simple; therefore I haven't really felt the need to use different banks. Given we are satisfied with their services, one bank is enough."* (Company D)

In contrast, SMEs usage behaviour regarding insurance services was quite opposite: nearly all interviewees (91 per cent) reported to purchase their company's insurance solely from one insurance provider:

> *"I appreciate being able to handle our insurance through "one door", meaning that our risks are assessed as an entity, and that one person is accountable for all our services."* (Company F)

Only two of the SMEs divide their insurance coverage between multiple providers. One of them, relying on the services of an insurance broker, explained this behaviour as following:

> *"In insurance business, the benefits of decentralisation are visible and can be obtained. In addition to cost savings, the insurance broker makes our decision making process very easy by explaining the details of the insurance coverage to us in an understandable way."* (Company D)

Interestingly, compared to banking, the results also reveal that the insurance sector is characterised by notably high levels of switching. As nearly 30 per cent of the SMEs have changed the extent to which they use banks or switched to another bank in the last three years, the corresponding percentage regarding insurance providers was 46 per cent. Nevertheless, the key causes of switching appear to be quite similar across these sectors, as described in the following section.

Considering cross-buying of bank and insurance services from the same provider, preference towards using separate providers is evident among the SMEs: 15 out of the 22 companies reported to have totally independent providers for their banking and insurance services:

> *”I want to keep these (bank and insurance) as separate, without a question.”* (Company K)

However, as an indication of growing interest towards willingness to cross-buy across these sectors, nearly twenty per cent of the interviewees perceived purchasing life insurer’s services from the company’s main bank as a favourable way to increase the extent of usage of the bank’s services:

> *”They (the main bank) were very active on providing their life insurance company’s services to us. It was easy to acquire these through our (bank) account manager.”* (Company I)

> *”We purchased an additional group pension insurance trough our main bank. It was introduced to us quite conveniently, in line with the banking services.”* (Company R)

> *”I don’t think it would have occurred to me to buy the life insurance in the first place, if my (bank) account manager hadn’t introduced it to me.”* (Company C)

Based on the results, SMEs seem to use life insurers’ services quite randomly. None of the interviewed SMEs used a separate life insurance company; if services of a life insurer were used, these were acquired either through the company’s main bank or through the company’s property-casualty insurer group.

Only three of the interviewed companies reported to acquire all their financial services, banking and insurance alike, from a single provider. As one of the companies came to this situation through an industry merger, the two others deliberately chose to have a single provider for all their financial services:

> *”We got a great package including everything from banking to insurance services from a single provider. We had a meeting with the representatives of the group’s bank and insurance companies, they introduced us all the options, and we sealed the deal. It worked just perfectly.”* (Company G)

Both of these companies were start-up firms at the time of the initial purchase, giving some indication about the effectiveness of cross-selling bank and insurance services among the smallest corporate customers.

4.2. Financial service provider selection

The interviewees were asked to describe the key determinants for the selection of, and retention of, their main financial service provider/s. These results are illustrated in Table 5. Even though the key factors based on which SMEs select a bank and an insurance provider bear clear resemblance to each other, the relative importance of these factors, determined based on the frequency of occurrence during the interviews, appears to vary to some extent between the sectors.

Table 5. The key determinants of financial service provider selection among SMEs

Bank selection	
Personal relationship	"When you have a personal relationship with the account manager, you do not need to go through the same things over and over again; they know their customer, they know us." (Company L) "I value having a person in the bank whom I know and with whom I can be straightforward. The relationship should be profound and based on trust." (Company M)
Customer orientation	"It is important to have a person in the bank who understands our operations and what we do here." (Company O) "What I really like about our main bank is that they really consider our business needs and what products would be beneficial for us." (Company S)
Cost of financing	"Cost of financing is a considerable factor. We are talking about substantial loans for a small company; thus, the pricing terms are truly significant for us." (Company L)
Efficiency in daily operations	"All service needs, especially financing-related questions, should be processed in a timely manner." (Company S)
Quality of electronic services	"Personally, I have high expectations of the bank's online and mobile banking services in terms of availability, usability and functionality." (Company B)
Insurance provider selection	
Competitive prices	"As the content of the offering was practically identical between the competitors, the thing that sealed the deal was the overall price." (Company H)
Content of the insurance coverage	"As we are not professionals in insurance, we expect our insurer to provide the required information to us, so that we are equipped to make the right decisions. We need to be able to trust that our insurance coverage is as it should be." (Company R)
Personal relationship	"I appreciate a personal, interactive relationship. It's important that the account manager brings up significant new services we may not have recognised are out there, and identifies possible problem areas that emerge as our business grows." (Company R)
Availability of account manager	"If I have some questions to ask, I expect to receive an answer on a timely basis. If the account manager is not available, there should be a named substitute." (Company J)
Efficiency of claim handling	"Regarding insurance, it is crucial that the claim handling process is managed in a fast and justified manner." (Company L)

The findings highlight that in case of bank selection, personal relationships and customer orientation were clearly valued over the cost of financing. In contrast, competitive prices and content of the insurance coverage were identified as key determinants in the choice of an insurance company, significantly ranking over relationship related issues. Although the relative importance of pricing terms varied between bank and insurance sectors, notable similarities were identified regarding the relevance of the issue in accordance to SMEs' switching behaviour. Reinforcing the importance of pricing terms of loan applications, the interviewees identified non-competitive terms of credit and/or the bank's willingness to accommodate credit needs as the key factors influencing bank switching behaviour:

> *"We requested loan offerings from a number of banks. A competing bank provided us with better pricing terms than our main bank, so we decided to take the offer."* (Company S)

> *"They (the previous main bank) were not willing to accommodate my credit needs. As another bank was ready to grant me the loan I needed, it was time to switch."* (Company Q)

Correspondingly, comparing insurance providers on the basis of pricing terms seems to be a well-established practice among SMEs, contributing significantly to their switching behaviour:

> *"I request tenders approximately every second year to maintain competitive pricing. Given you have a proper risk assessment based on which to request competing offerings, switching an insurer is quite straightforward."* (Company L)

Similarities were also observable in the ways the SMEs' described the significance of personal relationships. The interviewees perceived personal relationship with the bank account manager as an enabler of efficient and convenient co-operation, and described customer orientation as the bank's willingness to understand customer's operations, and more importantly, to provide services based on the customer's business needs. In accordance, the overall content of the insurance coverage, recognised as extremely important by the interviewees, was strongly related to having a personal relationship with the account manager. Personal, interactive relationship with the account manager was perceived to ensure that the insurance coverage is as it should be, and on the other hand, to ensure fulfilment of all future requirements.

In both banking and insurance, efficiency in daily operations was seen as important by the interviewees. As bank's efficiency was linked mainly with quick processing of service needs, the interviewees required high availability from insurance the account manager, and associated insurer's efficiency strongly to the claim handling process. Corresponding to the notion that insurance claims are increasingly handled online, factors relating to the quality of bank's electronic services were also identified as important in the interviews.

4.3 Drivers of cross-buying behaviour

Considering the drivers of SME customers' cross-buying behaviour, the value drivers that emerged from analysing the interviews were summarised and classified into five groups based on the source of value: the financial service provider, the relationship, the service, the account manager and the offering / product. The relative importance of each value driver within a group was determined according to how many SMEs had mentioned the specific value driver during the interviews. Summarising the identified drivers, Table 6 illustrates how SME customers perceive the benefits and costs related to cross-buying banking and insurance services from the same financial service provider. The most important value drivers, defined as being mentioned by four or more of interviewed companies, are described in more detail in the following.

Table 6. Value drivers of cross-sectoral cross-buying behaviour

Source of value	Value dimensions	
	Benefits	**Costs**
Financial service provider	- The financial service provider is: - international (operations, network) - familiar with customer's industry - customer-oriented - of good reputation	- Image conflicts - single financial service provider unable to fulfil all service needs - best expertise through specialised providers - combining different sectors is unnecessary
Relationship	- Strong customer negotiation power - Efficient information transfer - High trust and partnership	- Non-existent customer loyalty programs - total customership not realised in practice - Dependence on a single provider - Weak customer negotiation power - Loss of competitive settings - Conflicts of interest between sectors
Service	- Time and effort savings - Service needs considered as an entity - Simultaneous comparability of options	- Exhausting customer negotiation processes - separate negotiation processes more efficient
Account manager	- One, joint account manager - one point of contact - acts as a link to product experts - Mutual contacts for all service needs	- One, joint account manager unfeasible - direct contacts to product experts required - Weak communication between the sectors
Offering / product	- Competitive pricing of the total offering - Comprehensive total offering - no overlap in products - blind spots minimised - Consideration of customer needs - product customisation / tailoring - development of new products - Switching part/s of offering possible	- Unfavourable pricing of total offering - Non-transparent offering packages - individual product details unclear - comparison between providers difficult - excess products included in the packages - High switching costs - limit cross-buying possibilities

Financial service provider. The benefits related to the financial service provider company included general features expected from a broad-based financial service provider by a business customer. Majority of the drivers that were considered as costs by the interviewees related to perceived image conflicts of a bank providing insurance. Serious concerns on a single financial service provider's ability to fulfil all the business customer's service needs were raised by seven interviewees, e.g.:

> *"I could lean towards cross-buying, if the potential provider group could fulfil all our service needs. If there's a slightest chance that they are not able to provide us with a total solution, then no. For now, this is the case with our main bank."* (Company R)

As described in the previous chapters, 15 out of the interviewed 22 SMEs preferred acquiring their company's banking and insurance services through independent financial service providers, and perceived combining these sectors as risky in the business-to-business context:

> *"Personally, I prefer acquiring my company's banking and insurance services from independent, specialised providers."* (Company J)

> *"Quite frankly, cross-buying banking and insurance services does not appeal to me in any way. It's not a bank's job to sell insurance policies."* (Company K)

"Relying in only one financial service provider would be too risky for a company this size." (Company T)

Relationship value. Benefits relating to the relationship with the financial service provider were linked to advantages accumulating from the use of a single provider for all the company's financial services. On the other hand, most drivers in the cost column of the relationship group were related to risks of using only a single provider.

The most notable finding considering the relationship with the service provider is undoubtedly related to the financial service providers' questionable ability to realise total customership benefits in the SME customer context. There was remarkable commonality across the comments of 17 of the interviewed SMEs when they discussed the role of customer loyalty benefits as a driver of cross-buying banking and insurance services from the same provider. The participants consistently emphasised the importance of receiving benefits from the use of a single provider, and indicated that customer loyalty programs, practically non-existent among business customers at the moment, should be developed to make cross-buying interesting from the SME customer perspective:

"As a corporate customer, I do not receive any benefits from centralising majority, let alone all, my company's financial services to a single provider. Thus, why would I be interested in such a thing?" (Company R)

"Obviously, our interest towards cross-buying depends on the terms and conditions; loyalty programs and pricing benefits are extremely important." (Company E)

Accordingly, pricing of the total offering was emphasised by the interviewees, as twelve of the SMEs had received non-competitive insurance offers from their main banks' insurance companies:

"Our main bank's insurance company made us an offer, and quite frankly, it did not stand a chance against the competitors. The pricing was just way off the mark." (Company J)

Giving some indication about the importance of these issues to SMEs, the drivers 'customer loyalty programs' and 'competitive pricing of the total offering' were the two most mentioned value drivers among the interviewees.

Service. Considering service as a source of value, time and effort savings from using a single provider for all the company's financial service needs was emphasised by seven of the interviewees, e.g.:

"My bank recommended their insurance partner, and gave me a name and number to contact. It was quite convenient; I did not need to find these things out by myself and I received a reliable insurance provider with competitive prices." (Company C)

Account manager. The account manager related value drivers were closely linked to the usefulness of having only a one point of contact for all the company's financial services needs. This value driver was identified by ten of the 22 interviewed SMEs:

> *"It would be easier if we only needed to know one person in one provider company, who would be able to coordinate all our service need."* (Company I)

However, on the contrary, one of the interviewed companies who was currently appointed with a single account manager for both their banking and insurance services, perceived the idea as unfeasible in practice, and indicating the value of having direct contacts to product experts:

> *"We have one account manager who takes care our banking and insurance services. This is actually not beneficial, as he does not really do anything with our insurance related requests, just forwards them along. Thus, I have requested straight contacts to product experts; this way messages don't get put on hold, and I receive answers straight away."* (Company G)

Also three other companies raised similar opinions, perceiving that it is unlikely to find a person who would be capable of handling both the banking and insurance services required by these SMEs.

Offering/product. Considering the offering/product related value drivers, the formation of a comprehensive total offering fulfilling all customers' financial service needs was perceived as valuable by eight of the interviewees. In accordance, consideration of customer needs was important to the SMEs:

> *"Our provider was willing to tailor their products significantly in response to our business needs. I am certain that our total customership influenced this decision."* (Company G)

On the other hand, five of the interviewees related total solutions consisting of banking and insurance services strongly with the negative associations related to non-transparent offering packages:

> *"Due to this extensive product packaging, comparing competitors' offerings is difficult. Combining bank and insurance services in the same package complicates things even further."* (Company D)

High switching costs were also mentioned by four of the interviewed SMEs as an obstacle of cross-buying, as they make changing the existing provider difficult. Additionally, cross-buying bank and insurance services from a single provider was considered to tie the company to the provider even stronger:

> *"This (total customership) does increase our dependence on the service provider. To be honest, it would be very difficult to switch the provider at this point."* (Company G)

Quite interestingly, only one third of all the identified value drivers pertained to perceived benefits of cross-buying. Consequently, as nearly 75 per cent of the drivers related to perceived costs, i.e. factors limiting the SMEs' willingness to engage in cross-buying of banking and insurance services from the same provider.

5. Discussion, implications and further research

This discussion section compares and analyses the findings of this study with respect to the research questions. In answer to the first research question, i.e. the extent of financial service provider usage among SMEs, the findings reveal tendency towards using both single and multiple providers depending on the type of financial services in question. In contrast to Trayler *et al.* (2000), the results of this study considerably resemble those of Lam and Burton (2005; 2006) by revealing split banking as a norm in the Finnish SME segment. This study extends the research of Lam and Burton (2005; 2006) in the context of insurance services by showing that in contrary to banking services, insurance are dominantly purchased from a single provider. Mirroring the results of Lam and Burton (2005; 2006) within the banking sector further, the results of this study imply obtaining a better negotiation position as an important determinant for using multiple banks, and identify competitive loan terms and bank's willingness to accommodate credit needs as contributors to the smaller business customers relatively high bank switching behaviour. Given the impact of these factors on SMEs' business operations and profitability, and taking into account that in general, small firms are comparatively less powerful and do not have the same ability to shop for credit services as larger companies (Zineldin, 1995), relevance of these attributes is not surprising in the current economic situation.

Secondly, this study investigated financial service provider selection among SME customers. Personal relationships, customer orientation and cost of financing were identified as key determinants for using a particular bank, as competitive prices, the overall insurance coverage and personal relationship were essential in the primary choice of an insurer. The results regarding bank selection and retention are quite similar to previous studies (Trayler *et al*., 2000; Lam and Burton, 2005; 2006). However, in their findings, both Trayler *et al.* (2000) and Lam and Burton (2005) highlighted convenient branch location as an important factor in bank selection. Deviating from these results, the findings of this paper indicate the quality of bank's electronic services as an important factor for SMEs. This difference may be attributed to the ongoing development of distribution channels among financial industry. In Finland, banks and insurance companies alike are strongly moving towards electronic channels, and in contrast to traditional branch office visits, customers in both retail and business segments are strongly encouraged to use different kinds of electronic and mobile services.

Thirdly, this study aimed to identify the drivers of cross-sectoral cross-buying behaviour in the small and medium-sized business customer segment. The findings of the study clearly imply that for now, SMEs prefer having independent providers for their banking and insurance services. However, some indication towards growing interest on cross-buying was recognisable in the results. The benefits of cross-buying identified in this study, such as comprehensive one-stop solution, reduced formalities and paper work due to mutual contacts for all service needs and time and effort savings, are not new, as they have been recognised as important in the retail customer context (see e.g. Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007). Nonetheless, as earlier research has ignored investigating aspects that limit cross-buying, little evidence is available on customer perceived costs of cross-sectoral cross-buying. Answering that question, my findings suggest that the three main factors limiting SMEs' tendency towards cross-buying are perceived image conflicts, non-existent customer loyalty programs and unfavourable pricing of the total offering. The findings concerning image conflicts have been corroborated by Ngobo (2004) and Liu and Wu (2007), who, suggesting that questioning a bank's ability to act as an insurance provider or vice versa affects cross-buying, identify image conflicts and lack of confidence in bank's salespeople's knowledge and expertise in insurance as barriers to the effectiveness of cross-selling. The significance of these factors may be even more substantial in the business-to-business context, as corporate insurance can be considered to require more competence from the salespeople as compared to standard retail products.

In previous studies, cross-buying has been found to be affected by marketing instruments such as loyalty programs applied during the relationship (see e.g. Verhoef *et al.*, 2001; Verhoef and Donkers, 2005). Yet, opinions on the issue are twofold. Ngobo (2004), emphasising that benefits from using a single provider are one of the most important predictors of cross-buying potential, claims that existing relationship with the service provider does not matter a lot: competitors seeking to target existing customers with similar services an succeed if they offer significant one-stop shopping benefits and are trustworthy in the eyes of the customers. Controversially, Reinartz *et al.* (2008) suggest that existing relationships do matter. They argue that cross-buying is a consequence, not an antecedent, of behavioural loyalty, suggesting that providers should develop strong relationships with their customers prior to engaging in cross-selling. Nevertheless, also Reinartz *et al.* (2008) agree that the objective of cross-selling should be to provide value to the customer, as perceived value (from the customers' perspective) creates strong relationships. Considering the results of this study, absence of loyalty programs may be considered to partly explain SMEs tendency towards using independent providers for bank and insurance services.

Taking into account that preferential pricing and competitive terms have been identified as main benefits of cross-sectoral cross-buying (Ngobo, 2004; Vyas and Math, 2006; Liu and Wu, 2007; Soureli *et al.*, 2008), the result of this study suggesting competitive pricing as a key driver of cross-buying is not surprising. Good performance on payment equity (i.e. the customer's perceived fairness of the price paid for each service) as compared to a competitor has been identified to have a positive effect on cross-buying (Verhoef *et al.*, 2001), and competitive pricing has been implied as one of the key factors in maximising loyalty levels among SMEs (Lam *et al.*, 2009). Although this clearly suggests that low prices increase cross-buying, managers should be careful in attracting customers primarily with prices. Verhoef *et al.* (2001) note that given that customers seek to actively manage their payment equity, providers will find it hard to cross-sell higher priced services to make these customers more profitable in future, following that additional competitive pricing may be needed to avoid losing opportunities. Evidence also suggests that customers acquired with low pricing tend to be 'switchers', and are inclined to defect when they receive attractive offers from competitors (Kamakura *et al.*, 2003; Verhoef and Donkers, 2005). As competitive pricing and a variety of services will be also offered to SMEs by rival providers, Lam and Burton (2005) perceive that switching behaviour is likely to remain a common practice among SMEs, following that it will be difficult for service providers to achieve high levels of loyalty and share of wallet from their SME customers.

Relating to the content of the offering, structural bonds have been found to contribute to the frequency of usage of services and customers' cross-buying (Liang and Chen, 2009). Structural bonds are considered to be present when a business enhances customer relationships by designing a solution to customer problems into the service delivery system (Lin *et al.*, 2003); a financial services company may employ a structural bond based business practice where it attempts to retain customers by providing valuable services that are not available from other sources, such as integrated or innovative financial services based on customer needs (Chiu *et al.*, 2005; Liang and Chen, 2009). This view can be considered to be reinforced by the results of this study, as the value of a comprehensive total offering composed based on customer needs emerged in the interviews. In principle, structural bonds are considered to offer customers value-added benefits that are difficult or expensive for businesses to provide and that are not readily available elsewhere (Berry, 1995; Chiu *et al.*, 2005), thus raising customers' cost of switching to a competitor and successfully retaining the existing customers (Liang and Chen, 2009).

To summarize, the most direct interpretation of the results of this study is that in most cases, achieving a 100 per cent share of wallet from SME customers may be difficult or potentially impossible, a claim also made by Lam and Burton (2006). The question then becomes: how to make cross-sectoral cross-buying appealing from the business customer viewpoint? Based on the results of this study, it may be argued that in order to achieve this goal, the importance of the perceived customer value attributes described in this paper should not be underestimated by broad-based financial service providers. Implicating that providers should better recognise their SME customers' expectations related to cross-buying of bank and insurance services from the same provider, the following recommendations are made for the managers of financial enterprises:

1. Develop your cross-selling concept in the SME customer segment by creating a customer loyalty program which rewards a customer company according to the use of multiple products in your total portfolio. To make cross-sectoral cross-buying intriguing from the smaller business customer perspective, the customer should receive direct reward for tying their company more tightly into your financial group.

2. Pay special attention in targeting your cross-sectoral cross-selling efforts to companies who do not have an existing service provider. In absence of switching costs from current provider, start-up companies and SMEs that are currently not using services of a life insurer are likely to be more responsive to purchasing bank and insurance services from same provider compared to companies with existing provider relationships.

3. Communicate the usefulness of having a single account manager for bank and insurance services to your SME customers. Correspondingly, train your account managers to ensure

adequate competence on both bank and insurance services. The account manager can provide SME customers with numerous service and ‘total’ solution offering related benefits.

Even though the qualitative data presented here cannot be used to ascertain how formation of loyalty programs may affect SME customers’ cross-buying behaviour, the analysis suggests some promising directions for further study. Although competitive pricing was identified as a key factor in both bank and insurance provider relationships, the results also indicate that competing on price alone may not be the most sustainable way to persuade SME customers into cross-sectoral cross-buying. As the value of a single contact for all financial services, consideration of all service needs as an entity and formation of comprehensive total offering based on understanding the customer’s needs were highlighted in the customer interviews, it is possible that smaller business customer context would offer an excellent ground for studying the formation of customer loyalty programs based on the competitive advantage of being able to provide the customer a with a high value, integrated total solution offering.

6. Conclusions

The purpose of this study is to examine the extent of and key determinants for financial service provider usage behaviour by business customers from small to medium-sized enterprise (SME) segment, and thereby to contribute to a better understanding of the drivers of customers’ cross-buying behaviour across banking and insurance sectors. For these purposes, literature on cross-buying and its drivers in the financial industry was reviewed, and empirical data was collected through semi-structured interviews among 22 SMEs in Finland. This study contributes to existing research by extending the retail customer and single sector based view on cross-buying into the context of business customers and across banking and insurance sectors.

Based on the data, use of more than one bank appears to be the norm among SME customers, as insurance are dominantly purchased from a single provider. In contrast, the level of switching between insurance companies was found to be higher compared to banks. While personal relationship and customer orientation were the most common reasons for selection and use of a particular bank, competitive prices and the overall content of the insurance coverage were identified as key in the primary choice of an insurer.

SMEs prefer using separate providers for their banking and insurance services, although some indication towards growing interest on cross-sectoral cross-buying was observed. Partly reflecting this behaviour, only one fourth of the identified customer value drivers of cross-buying pertained to perceived benefits, as nearly 75 per cent of the drivers were related to customer perceived costs. A joint account manager for all financial services, consideration of all financial service needs as an entity and time and effort savings were perceived as the main benefits of cross-sectoral cross-buying. In contrast non-existent customer loyalty programs, unfavourable pricing of the total offering and image conflicts were the main factors limiting cross-buying among SMEs.

Contributing to cross-buying research in the financial industry by describing the dimensions based on which SMEs discriminate among competing service providers, this study offers important marketing implications for broad-based financial service providers operating in business-to-business financial services in Finland and comparable European markets. As the first study focusing on the reasons underlying cross-sectoral cross-buying behaviour among SMEs, the findings of this research implicate that in order to succeed in cross-selling bank and insurance services in the SME customer segment, financial institutions should not underestimate the importance of customer loyalty programs rewarding customer companies according to the use of multiple products in their total portfolio.

This study was purposefully focused on business financial services and bound to SME customers, limiting the generalisability of the findings. As the findings are based on a sample of companies within one country, value attributes found in this study may vary in other markets or countries. As a methodological choice, a qualitative approach was employed, using interviews as the main source of data. The approach is limited by the choice of firms, choice and number of informants, and the semi-structured interview method. To improve the validity of the findings, the context, the choices and the interview approach were discussed and described as transparently as possible, and a systematic, structured approach to data analysis was used.

During the study, potential topics for further research were discovered. As the importance of loyalty programs for small corporate customers significantly emerged from the results, further research on this topic is called for, including the possible formation, content and functionality of such programs. Given the value attributes revealed in this study, it seems possible that smaller business customer context would provide an excellent ground for investigating the formation of customer loyalty program based on the competitive advantage of being able to provide the customer a with a high value, integrated total solution offering.

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